# FINANCIAL TIMES


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*Betjeman's better class of holidays*

World Business Newspaper http://www.FT.com FRIDAY AUGUST 16 1996


## US plans envoy to help promote anti-Cuba law

US commerce department trade undersecretary, Stuart Eizenstat (below), is to be appointed by the White House as special envoy to the European Union, Canada and other countries whose companies may be hit by US laws against investment in Cuba. The countries have been angered by a law allowing US companies and individuals to file suits against foreign groups profiting from property confiscated after Cuban president Fidel Castro came to power in 1959. Page 12

**Jersey fraud charge after forex loss:** A British man has been charged with fraud in the Channel Island of Jersey in a case linked to foreign exchange losses of $36.7m allegedly incurred by 90 international clients of Swiss-based investment managers. Page 12

**BASF,** the German chemicals group, is to sell its magnetic tape business to Raks, a Turkish consumer electronics group, and will also cede control of its potash mining interests to concentrate on its core chemical and pharmaceutical operations. Page 13; Lex, Page 12

**Yugoslavia seeks IMF return:** The Federal Republic of Yugoslavia, now comprising only Serbia and Montenegro, is seeking an early restoration of its membership of the International Monetary Fund and the World Bank. Page 12

**Turkey in Iraq food-for-oil deal:** Turkey's Islamist-led government signed an oil-for-food agreement with Iraq, days after Ankara and Tehran struck a multi-billion energy deal in defiance of US threats of sanctions against companies investing there. Page 4

**London cries foul over campaign:** The London Tourist Board has lodged an official complaint about a Scottish tourism campaign that implies London's air quality is poor. Page 7

**Softbank,** the rapidly expanding Japanese distributor and publisher of personal computer software, is to pay $1.5bn for a majority stake in US semiconductor memory products supplier Kingston Technology. Page 13

**Hungarian minister resigns:** Hungary's Imre Dunai became the second industry minister to resign in a year and the eighth cabinet member to leave the Socialist-led government since it took office in July 1994. Page 2

**BP and US group in power project:** British Petroleum and large US utility, Entergy, announced plans to build one of the biggest independent power projects in the UK. Page 6

**China warns US on missile sale:** China called on the US to scrap plans to sell an anti-aircraft missile system to Taiwan, saying the deal could damage on Sino-US relations. Page 3

**Figures show US growth slowing:** US figures showed industrial production edged up 0.1 per cent last month, suggesting the pace of growth in the manufacturing sector is slowing after a strong second quarter. Page 5

**Chips down for Samsung:** A fall in global semiconductor prices sent Samsung Electronics' profits down 60 per cent fall to Won453bn ($550m) for the first half of 1996. Page 14

**Vitro to sell US arm:** Mexican glass manufacturer Vitro plans to sell its lossmaking US subsidiary, Anchor Glass, after reporting a first-half net loss of 358m pesos ($47m). Page 13

**Philippine trade deficit widens:** The Philippine trade deficit widened to $5.98bn in the first six months of 1996, putting pressure on the central bank to devalue the peso.

**Indian food poisoning toll at 50:** Police in India's western Maharashtra state were hoping a kitchen helper they arrested could provide clues to the country's worst case of food poisoning as the death toll climbed to 50.

**Electrical accident kills 35 in Peru:** Thirty-five people died from electrocution and another 40 were injured when a firework struck a 10,000-watt cable, sending it crashing on to a crowd of 1,500 people in the southern Peruvian city of Arequipa.

**FT.com:** the FT web site provides online news, comment and analysis at http://www.FT.com

**■ STOCK MARKET INDICES**

| | | |
|---|---|---|
| **New York lunchtime** | | |
| Dow Jones Ind Av | 5,665.41 | (-1.47) |
| NASDAQ Composite | 1,132.66 | (-1.43) |
| **Europe and Far East** | | |
| CAC40 | closed | |
| DAX | 2,546.33 | (+7.46) |
| FT-SE 100 | 3,837.4 | (+7.1) |
| Nikkei | 20,968.25 | (-12.96) |

**■ US LUNCHTIME RATES**

| | |
|---|---|
| Federal Funds | 5½% |
| 3-mth Treas Bills: Yld | 5.166% |
| Long Bond | 99½ |
| Yield | 6.814% |

**■ OTHER RATES**

| | | |
|---|---|---|
| UK: 3-mo Interbank | 5⅞% | (5⅞%) |
| UK: 10 yr Gilt | 97¾ | (97⅞) |
| France: 10 yr OAT | closed | (106.30) |
| Germany: 10 yr Bund | 99.86 | (99.64) |
| Japan: 10 yr JGB | 99.8712 | (98.7864) |

**■ NORTH SEA OIL (Argus)**

| | | |
|---|---|---|
| Brent Dated | $20.86 | (20.86) |

**■ GOLD**

| | | |
|---|---|---|
| **New York: Comex** | | |
| (Dec) | $391.7 | (391.7) |
| **London:** | | |
| close | $386.3 | (386.5) |

**■ DOLLAR**

| | | |
|---|---|---|
| **New York: lunchtime** | | |
| £ | 1.56175 | |
| DM | 1.48475 | |
| FFr | 5.0709 | |
| SFr | 1.20465 | |
| Y | 107.915 | |
| **London:** | | |
| £ | 1.5606 | (1.5505) |
| DM | 1.4856 | (1.4834) |
| FFr | 5.0750 | (5.0701) |
| SFr | 1.2054 | (1.2045) |
| Y | 107.925 | (107.81) |

**■ STERLING**

| | | |
|---|---|---|
| DM | 2.3036 | (2.3) |
| Tokyo $ close: | Y 108.2 | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Albania | LEK 220 | Gibraltar | £0.75 | Lithuania | Lts 15.00 | Qatar | QR13.00 |
| Austria | Sch37 | Greece | Dr400 | Lux | LFr75 | S.Arabia | SR12 |
| Bahrain | Din1.250 | Hong Kong | HK$20 | Malta | Lm0.65 | Singapore | S$4.30 |
| Belgium | BFr75 | Hungary | Ft250 | Morocco | MDh16 | Slovak Rp | Sk65 |
| Cyprus | C£1.20 | Iceland | IKr250 | Neth | Fl 4.75 | S. Africa | R12.00 |
| Czech Rp | Kc80 | India | Rs75 | Nigeria | Naira60 | Spain | Pta250 |
| Denmark | DKr18 | Israel | Shk7.50 | Norway | NKr22.00 | Sweden | SKr20 |
| Egypt | E£6.00 | Italy | L3500 | Oman | OR1.50 | Switz | SFr3.70 |
| Estonia | EKr 22 | Japan | Y600 | Pakistan | Rs40 | Syria | S£55.00 |
| Finland | FM15.00 | Jordan | JD1.50 | Poland | Zl 5.50 | Tunisia | Din1.750 |
| France | FFr12.00 | Kuwait | Fils 650 | Portugal (m'land) | Esc240 | Turkey | L90000 |
| Germany | DM4.00 | Lebanon | L£4,000 | | | UAE | Dh12.00 |




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More emphasis on welfare ■ Lebed stirs controversy on Chechnya

# Yeltsin names new government

By John Thornhill in Moscow


Vladimir Potanin (left) is now first deputy prime minister in charge of the economy while Alexander Livshits is head of a strengthened finance ministry. The appointments came as Boris Yeltsin made no concessions to his political opponents. Picture: Reuter

Mr Boris Yeltsin, Russian president, yesterday announced the formation of a new government committed to pressing ahead with economic reform but with greater emphasis on social welfare.

Contrary to hints made before the presidential elections, Mr Yeltsin made no concessions to his political opponents and did not give any senior jobs to members of the Communist or liberal Yabloko factions.

Mr Vladimir Potanin, 35, who heads Oneximbank, one of Russia's most powerful commercial banks, was appointed first deputy prime minister in charge of the economy.

But events in Moscow yesterday were again overshadowed by developments in the rebel region of Chechnya, where Mr Alexander Lebed, Russia's national security chief, planned to hold talks with separatist commanders in an attempt to reach a lasting ceasefire.

Armed with new powers to co-ordinate Russian policy towards Chechnya, Mr Lebed has promised a more conciliatory approach towards settling the 20-month dispute.

The fighting has eased since a shaky ceasefire agreement came into force on Wednesday.

But the former general threatened to stir controversy on his planned return to Moscow today by naming Russian officials he claimed were responsible for encouraging the war in Chechnya.

Mr Victor Chernomyrdin, prime minister, said the new government's priorities would be to pursue a more active social policy, stimulate investment, bolster budget revenues and strengthen market institutions.

Mr Potanin is generally seen as a pro-market reformer who will bring fresh and pragmatic ideas to government. But some observers questioned whether Mr Potanin could ride above the inevitable conflicts of interest that would arise between his government responsibilities and his bank's ambitions.

Mr Alexander Livshits, chief presidential economic aide, has been appointed head of a strengthened finance ministry with a brief to raise more tax revenue and close a widening budget deficit. Mr Livshits has championed Russia's stabilisation programme but has no real administrative experience.

To strengthen Russia's patchy social welfare system, Mr Victor Ilyushin has been made first deputy prime minister.

But the biggest surprise in the government reshuffle was the appointment of Mr Alexei Bolshakov as the most senior of the three first deputy prime ministers to be appointed. Effectively the second most senior member of the government, he will assume responsibility for industrial and transport policy.

Mr Bolshakov was previously responsible for co-ordinating relations with the other members of the Commonwealth of Independent States and acquired a controversial reputation by antagonising some neighbouring governments.

Russia's fledgling stock market welcomed the pro-reform orientation of the government and the RTS-21 index of leading shares rose by 3.6 per cent.


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An army's honour, Page 11


# ISS cleaning group suffers $350m loss

## False accounting scandal in US hits Danish company

By Hugh Carnegy in Copenhagen

ISS, the world's largest contract cleaning company, yesterday revealed it had suffered a bigger than expected loss of DKr2bn ($350m) in the first half of the year as a result of a false accounting scandal at its US division.

Shares in the Danish group, which has 120,000 employees worldwide and annual turnover of almost DKr15bn, slid about 8 per cent on the news.

ISS said it now planned to sell a majority stake in the US business, which is its biggest division built up in the past decade through aggressive, debt-driven acquisitions.

Speaking in Copenhagen, Mr Arne Madsen, chairman, said the affair had hit the company like "a great earthquake".

He admitted it had cost significantly more than indicated when it was revealed in May. The group made charges and provisions totalling DKr845m to cover what it called fictitious accounting and false valuations in the US division – compared with an original estimate of $100m.

The group wrote off in its profit and loss account all the DKr1.2bn in goodwill attributed to the US operation to facilitate a potential sale. As a result, the group swung from a DKr37m net profit for the first six months of last year to a loss of DKr2.08bn.

ISS's share price crashed DKr26 to an intra-day low of DKr109 before recovering to close down DKr11 at DKr124.

ISS alleged that finance executives in the US division deliberately and systematically falsified accounts for up to 10 years to inflate profits.

It said the unit's cleaning contracts and the provisions within its internal self-insurance operations were wrongly stated to the tune of $99m in fictitious profits. A further $41m was lost in falsely valued assets and there was an additional $6m charge for the costs of the investigation into the alleged scandal.

Mr Michael Dudas, the former finance chief in the US, and five others have been fired or suspended following the internal investigation of the affair. ISS said that it was handing over material from the investigation to the Securities and Exchange Commission and the US attorney-general, Ms Janet Reno.

But it said there was no clear motive for the alleged false accounting scandal and no evidence had yet been found that the alleged perpetrators had personally gained from it. It said it was not clear if any criminal or civil proceedings would result.

Mr Madsen and Mr Waldemar Schmidt, group chief executive, insisted no-one in group management had known about the alleged scandal. Mr Schmidt said the US division had been responsible for its own management controls. He said a "forensic" audit was being carried out to discover whether Arthur Andersen, the US unit's auditor at the time, had acted negligently.

The half-year loss reduced ISS's shareholder's equity to just DKr729m – cutting its equity to assets ratio from 45.3 per cent a year ago to 12.9 per cent.


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At a loss, Page 15


# Dole back to grassroots campaign for presidency

By Patti Waldmeir in San Diego

Mr Bob Dole, the Republican presidential nominee, will today resume the job that he finds most difficult – conducting a grassroots campaign for the presidency.

After taking the spotlight at this week's tightly scripted Republican party convention in San Diego, Mr Dole will again find himself making stump speeches, mingling with voters, and trying to sell himself as a potential president.

Flanked by an energetic running mate, buoyed by the tributes of family and friends and by the nomination he has craved for 15 years, he leaves today for a post-convention campaign tour through Colorado, Pennsylvania and New York.

A man unhappy with the modern demands of campaigning, Mr Dole has always been uncomfortable out on the stump. The addition of the charismatic Mr Jack Kemp to his team as running mate may help. But Mr Kemp's almost boyish ebullience could simply highlight the deficiencies in the laconic Mr Dole's own campaign style.

Mr Dole struggles to excite voters. Even when his nomination became official the jubilation on the convention floor seemed almost perfunctory.

As they prepared last night for their candidate's acceptance speech, Dole campaign aides were buoyed by polling data suggesting that the party convention had boosted his chances. A daily tracking poll by ABC news showed that Mr Clinton's lead over Mr Dole, put at 20 percentage points on Monday, had shrunk to 18 points on Tuesday and to only 10 points by Wednesday morning. A two-day survey by NBC's cable affiliate, MSNBC, also gave Mr Clinton only a 10-point lead.

But other polls contradicted these results. The local San Diego newspaper, the Union Tribune, found that Mr Dole's ratings had actually suffered, dropping 5 points by Wednesday, to put him 17 points behind the president.

Mr Clinton will be expecting his own "convention bounce" in the polls when the Democratic convention opens in Chicago later this month.

Republicans are hoping that the Whitewater financial scandal may affect his poll standing, in the wake of news that the president's friend and investment partner, Mr James McDougal, will co-operate with the special Whitewater prosecutor, Mr Kenneth Starr. Mr McDougal said yesterday he plans to be "Bill Clinton's Brutus".

However, Whitewater-related matters have so far had no effect on Mr Clinton's ratings.

"Character" was the focus when Mr Dole was officially nominated by the convention on Wednesday night. His wife Elizabeth and daughter Robin delivered powerful tributes to him, and Senator John McCain of Arizona, a former prisoner of war, delivered a moving endorsement of the nominee, whom he called "a man of honour, a man of firm purpose and deep commitment to his country's cause".

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# France gives industry spur to cut hours

By Andrew Jack in Paris

Legislation designed to encourage businesses to cut employees' working hours to boost employment came into force in France yesterday.

Employers will be given significant discounts on social security taxes on condition that they cut hours and hire new staff. But employers are sceptical about the effectiveness of the proposals.

The legislation, an amendment to a 1993 employment law, came into effect when details were published in the Official Journal. Employers who cut working hours by 15 per cent and hire the same proportion of new staff will pay up to 50 per cent less social security contribution for the first year and 40 per cent less for the following six years.

France is seeking new ways to create jobs at a time of high and rising unemployment, currently 12.5 per cent, during a period of low economic growth.

The new law is one of the first significant legislative steps to help encourage a reduction in working hours and boost employment since the former Socialist president François Mitterrand cut the legal working week from 40 to 39 hours in 1982, the year after he was first elected.

Subsequent governments have preferred to steer clear of legislation and opted for a more flexible approach, leaving individual companies and unions to negotiate on reduced hours and staff increases.

The moderate CFDT union has pushed strongly for a reduction in working hours, but the idea was criticised by the more radical Force Ouvrière union, as well as the Patronat, the employers' federation, which says countries with longer working hours, such as the UK, also have lower unemployment.

Mr Alain Juppé, the prime minister, agreed to discuss


Continued on Page 12
Midsummer storm, Page 10

## Greek Cypriot leader appeals for calm after violent clashes in buffer zone with Turkish sector

# Killings help Cyprus media stunt achieve its aim

By John Barham in Ankara and Kerin Hope in Athens

This week's clashes in the United Nations-patrolled buffer zone that has divided Greek and Turkish Cypriots since 1974 will have just as much impact on policy-makers in Ankara and Athens as on local political leaders.

Violence flared unexpectedly on Sunday in a protest by Greek Cypriot motorcyclists who rode into the buffer zone wearing T-shirts saying: "A world without borders". The violent response of Turkish Cypriots to the media stunt – one of the protesters was beaten to death – underlines the precarious state of relations between the communities.

The island of Cyprus is the front line between Greece and Turkey, nominal Nato allies but implacable rivals in the Aegean.

Turkey's policy over Cyprus is one of the few issues that command a broad consensus. Successive governments have backed Mr Rauf Denktash, leader of the self-declared Turkish Cypriot republic in the island's northern sector. And as the country's mood grows more radically Islamist and nationalistic, there is little appetite for moderation.

Greece's Socialist government has thrown its weight firmly behind President Glafcos Clerides, the Greek Cypriot leader, yesterday appealed for calm after the deaths of two people in clashes in the buffer zone separating the Greek and Turkish Cypriot communities, writes Andreas Hadjipapas in Nicosia.

Mr Clerides warned protesters that the Cyprus problem should "not be handled by irresponsible people without an overall picture of the situation, but by the governments of Greece and Cyprus".

Tension has mounted ahead of today's funeral of Mr Solomos Solomou, who was shot by a Turkish Cypriot soldier while trying to pull down a Turkish Cypriot flag. Mr Clerides said that demonstrations which might lead to further confrontations would not be permitted.

The UN representative on the island, Mr Gustave Feissel, held separate meeting yesterday with Mr Clerides and Mr Rauf Denktash, the Turkish Cypriot leader.

He urged both sides to show restraint and said the UN would make a new effort to restart talking on reuniting the island.

Greek Cypriot police sent reinforcements to Dherinia, where the clashes took place, to discourage fresh demonstrations.

UN peacemakers and Turkish Cypriot forces also strengthened their positions along the Green Line marking the buffer zone.

Mrs Tansu Çiller (left) has issued threats after violent demonstrations this week in the Cyprus buffer zone Reuter and AP

firmly behind President Glafcos Clerides, who heads a rightwing Greek Cypriot government with a strongly nationalist slant. At times of crisis, mutual mistrust is forgotten and Greek solidarity with Cyprus cuts across ideological barriers.

The Greeks saw the killing of Mr Tassos Isaak during Sunday's protest in the buffer zone as the act of a bloodthirsty mob. The death of another Greek Cypriot, Mr Solomos Solomou, shot while trying pull down a Turkish Cypriot flag, was denounced by Greece's foreign minister, Mr Theodoros Pangalos, as "brutal murder".

In Turkey, both deaths were seen as understandable, if regrettable reactions to provocation. "Of course we are sorry but you have to protect your borders," said a foreign ministry official. "There was peace in Cyprus for 22 years. It seems the Greeks badly wanted to put Cyprus back on the international agenda and they are using human lives to draw world opinion to Cyprus."

Some Greek analysts hold a not dissimilar view. One said: "Protests on the Green Line [which marks the buffer zone] have been staged by the Greek Cypriots to get international media attention and put the Cyprus problem back in the headlines. There is a lot of frustration over this issue."

Cyprus was split in 1974 by a Turkish invasion following a Greek-led coup intended to unite the island with Greece. Talks on reuniting Cyprus as a loose federation have foundered on questions of security for the Turkish Cypriot minority and the right of Greek Cypriots to recover property or resettle in the north of the island.

Trade unions, business associations and student groups have made efforts to establish regular contacts, but there is little movement across the Green Line.

Mr Kamran Inan, a Turkish politician, reflects the views of many Turkish Cypriots: "The only reasonable way is for both sides to recognise each other as separate states and to co-exist."

Economic disparities between the sectors underline the political divisions. Thanks to sustained growth in tourism and a flourishing role as an offshore centre, the Greek Cypriots are the wealthiest nation in the eastern Mediterranean. Turkish Cyprus is isolated by lack of international recognition – incomes have steadily declined and unemployment is high.

With backing from Greece, the Greek Cypriots are preparing to apply for membership of the European Union, on behalf of both communities, early in 1998. This, they argue, would be a catalyst for finding a settlement.

Many Turkish Cypriots believe that joining the EU would offer an escape from economic stagnation and political isolation, but neither Mr Denktash nor the Turkish government supports the application.

Moreover, analysts agree that settlement on Cyprus is not likely to be reached without a drastic improvement in relations between Greece and Turkey.

The Turkish foreign minister, Mrs Tansu Ciller, arrived in Cyprus yesterday in militant mood to demonstrate the Islamist government's support for Mr Denktash. She told a rally in southern Turkey earlier in the day: "Where we come from, nobody lays a finger on the flag... If anyone dares do that, we'll break their hands."

Not to be outdone, Greece's prime minister, Mr Costas Simitis, said he would interrupt his summer holiday to attend the funeral of Mr Solomou today. He will also take part in a meeting on Saturday of the national security council, the forum where Greek Cypriot political leaders thrash out policy on the Cyprus problem.

Mr Simitis will certainly point out that this week's clashes could undermine a recent lull in Greek-Turkish tensions, achieved through an unofficial agreement brokered by the US and Nato that both countries will avoid holding military exercises in the Aegean during the tourist season.

So far, the agreement appears to be holding, despite the tensions on Cyprus. As trouble flared at the funeral of Mr Isaak on Wednesday, Greeks amicably assisted a Turkish frigate that ran aground off a Greek island.

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## Sarajevo airport back on schedule

The first commercial aircraft for four years landed at Sarajevo's airport yesterday when an Air Bosna flight touched down from Istanbul, Reuter reports from Sarajevo.

The airport, caught between Moslem and Croat frontlines, was closed to scheduled flights after being badly damaged during Bosnia's civil war and is in need of extensive repairs.

Full reconstruction is expected to take until the middle of next year at an estimated cost of $26.7m – half from the European Bank for Reconstruction and Development (EBRD) through a 15-year loan. The other half will be financed by grants from European Union member states and the European Commission.

The funds will be used to repair the main airport buildings, runways and provide new navigation, communication and weather forecasting and recording equipment. France is donating $2.2m to buy equipment to enable take-offs and landings in poor weather.

Sarajevo airport handled about 350,000 passengers a year before the war and was busiest in 1984 when the city hosted the winter Olympic games. Separatist Serb forces captured it at the start of fighting in 1992 but was persuaded in June 1992 to hand it over to the UN for relief flights. Cargo aircraft hauled food, medicine and shelter material into the besieged capital, enabling its 380,000 residents to survive three winters.

Nearly 13,000 flights landed in Sarajevo until the airlift ended earlier this year, carrying foreign dignitaries, UN peacekeepers, aid workers, medical cases and journalists. Government forces built a tunnel under the airport for those trying to escape the city on foot.

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# Bosnians resist aid for independent TV

By Laura Silber, recently in Sarajevo

Cash-strapped Bosnia is resisting the offer of millions of dollars in international aid to create its first independent television network designed to bridge ethnic divisions inflamed by partisan media during four years of fighting.

The Moslem-led Bosnian government has blocked the $13m project, of which $3m was earmarked for state-run Bosnian television. The Open Broadcasting Network (OBN) is the product of a pledge by the three presidents of Bosnia-Hercegovina, Croatia and Serbia last November in Dayton, Ohio, to allow freedom of media, to help create a climate for free and fair elections on September 14.

Hate-mongering in the media has been blamed for fuelling the conflict. The OBN was first stalled by financing problems. When the donors, including the EU, the US and Japan, came up with funds, members of the Bosnian government became the obstacle. The project is being overseen by Mr Carl Bildt, chief international mediator to Bosnia.

Under OBN, five small independent television stations in the Moslem-Croat Federation formed their own network. Mr Emin Skopljak, deputy telecommunications minister, said the country did not have the legal framework to permit a nationwide independent television; there are already 11 independent local channels, apart from state-run television.

"We want to go the same way as the rest of Europe, but we will not give in to political pressure to form this network," Mr Skopljak

### Authorities 'are afraid of losing control'

said. He insists that frequencies are a valuable national resource which cannot be given away.

Pressure on the Bosnian government is intense; it was a big issue at Wednesday's Geneva summit when Mr Warren Christopher, US secretary of state, apparently failed to overcome the objections of Mr Alija Izetbegovic, president of Bosnia-Hercegovina.

Mr Izebegovic has made clear one of his objections was that the network would carry "commercial" programmes. So resolute was opposition in the Bosnian government that it rejected a $3m World Bank loan custom-made for state-run television, designed to allow the state network to compete with independent channels.

International mediators believe Bosnian objections are mostly based in a fear of losing control. Mr Michael Steiner, the German deputy to Mr Bildt, said: "Behind this resistance is a vision of the media which is not European. It is not an understanding of free media, but one of control."

Armed with a ruling from the Organisation for Security and Co-Operation in Europe (OSCE) which says the government must "grant without delay to the OBN all necessary licences", Mr Bildt's team is pressing forward. They have come up with a design which would bypass the Bosnian television relay system and cover about 50 per cent of Bosnia's population, almost exclusively in the Moslem-Croat Federation.

At best, the network will begin broadcasting just before the elections.

# Hungary loses second industry minister in year

By Virginia Marsh in Budapest

Mr Imre Dunai yesterday became Hungary's second industry minister to resign in a year and the eighth cabinet member to leave the Socialist-led government since it took office in July 1994.

The government said Mr Dunai had asked to step down on health grounds and that his resignation had been accepted by Mr Gyula Horn, the prime minister. Officials denied reports that the two men had disagreed several times recently or that they had undertaken not to discuss other factors behind the resignation for six months.

Mr Dunai's decision to leave the cabinet comes just as the government is embroiled in a sensitive debate over energy price rises. The increases, due in October, have split policy-makers and industry.

International investors which bought into the energy sector last autumn are pressing the government to raise prices to world levels and to honour other commitments made at the time. Leading European utilities including RWE and Bayernwerk of Germany, Electricité de France and Italgas invested nearly $2bn, the first large-scale energy sector privatisation in the former eastern bloc. Several have now put further investment plans on hold until price and regulatory issues are resolved.

However, the government is reluctant to increase prices again – they have already risen sharply in the past 18 months – at a time of falling real pay and deep discontent over painful welfare and education reforms.

Energy sector investors are unhappy over aspects of a price and cost review this summer by the energy office which is to be discussed by the cabinet next week.

"We are not at all satisfied," an investor said yesterday. "The price rises are very unpopular but for the government to go back on its promises could lead to a serious crisis in investor confidence. No doubt Mr Dunai will be happy to escape from an increasingly uncomfortable situation."

EUROPEAN NEWS DIGEST

# German drug sales up 6.5%

Pharmaceuticals sales in Germany in the first half of the year rose to DM12.6bn ($8.5bn), 6.5 per cent higher than a year earlier, the VFA industry association reported. Germany is Europe's biggest pharmaceuticals market and third largest in the world after the US and Japan.

The growth rate is below that for Europe as a whole but excludes sales through hospitals. German healthcare reforms of 1993 gave general practitioners budgets which excluded hospital drug sales. The VFA, which is fighting to influence further reforms now under consideration, said yesterday's figures demonstrated that "doctors' prescription behaviour was medically as well as economically responsible". *Daniel Green, London*

## New wave of retail strikes

German retail unions yesterday intensified their strike action in an attempt to force employers to adopt nationwide a wage deal agreed this month in the state of Rhineland-Palatinate.

The DAG salaried workers union and HBV bank and retail workers union said more than 1,000 shopworkers took part in all-day strikes across Germany and threatened further action. Both sides in Rhineland-Palatinate agreed a 1.85 per cent pay rise and extra allowances for shift working. *Reuter, Düsseldorf*

## Fishing row may go to Hague

The dispute between Denmark and Iceland over the fishing rights in a "grey zone" of the north Atlantic could go to the International Court in The Hague. Talks this week have produced no solution to the question of whether Danish vessels have the right to fish in a 10,000 square kilometre area between Greenland and Iceland.

Icelandic coastguard cutters have been given permission to fire on Danish boats caught within the zone. Another meeting will be held next month in an attempt to resolve the dispute.

Both Mr Halldor Sgrimson, Iceland's foreign minister, and his Danish counterpart, Mr Niels Helveg Petersen, have suggested taking the issue to the international court. Mr Sgrimson claims that the 1988 discussion of the issues, which left non-Icelandic vessels free to fish until a resolution was found, was only a gentleman's agreement. Denmark disputes this view. *Andrew Arnold, Copenhagen.*

## Kurdish TV back on air

A Kurdish television channel, MED-TV, resumed satellite broadcasts to Turkey from its base in London yesterday, six weeks after pressure by Ankara forced its previous satellite operator to halt transmissions. Yesterday's broadcast, carried on the Intelsat satellite, coincided with the 12th anniversary of the separatist campaign waged by the Kurdistan Workers party against the Turkish state. Turkey, which rejects MED-TV's insistence that it is independent of the guerrillas, has forced a series of European satellite operators to stop carrying its signal.

MED-TV is Turkey's only Kurdish-language channel and has established a strong following in the mainly Kurdish south-east. Although Mr Necmettin Erbakan, the Islamist prime minister, has declared that he supports domestic Kurdish channels, he said MED-TV "should definitely be stopped." *John Barham, Ankara*

ECONOMIC WATCH

## Finnish output up sharply

Industrial activity in Finland increased sharply in June, according to figures from the central statistical office. Output was 4.4 per cent higher than a year earlier, while the annualised increase for the first six months was 1.7 per cent. The improvement in June reflected a 10 per cent growth in metal and engineering production compared with the same month last year. However, output in the paper and wood-processing sector fell 9.2 per cent and capacity utilisation dropped 5 per cent to 82 per cent. Consumer prices fell 0.1 per cent in June, taking the annual rate to 0.5 per cent, one of the lowest in the European Union. The reduction was partly attributed to seasonal discount sales of clothes. Inflation measured by the standard EU formula was 1.1 per cent in July, against 1.2 per cent in June. *Greg McIvor, Stockholm*

■ German wholesale prices fell 0.5 per cent in July from the previous month, and the same amount from the year-earlier level, the federal statistics office said.

■ Dutch unemployment fell by 1.4 per cent to 428,000 on a seasonally adjusted basis in the three months to July. A leaked memo from the central planning bureau to the cabinet said unemployment would fall far more steeply than expected.

New team (left to right): Viktor Ilyushin, first deputy prime minister; Alexander Livshits, finance minister and deputy prime minister; Vladimir Potanin, deputy prime minister; Alexei Bolshakov, industry, construction, transport and communications and mineral resources

# Yeltsin names economic team

Mr Vladimir Potanin, named as the youngest of Russia's new first deputy prime ministers yesterday, is an international economist who made his name as head of one of Russia's biggest banks, Reuter reports from Moscow.

He will lead the government's economic team and may become Russia's representative at the World Bank, a post currently held by ousted first deputy prime minister Mr Vladimir Kadannikov.

Mr Potanin, 35, built Uneximbank up to become Russia's fourth biggest financial institution, and was heavily involved in last year's controversial shares-for-loans privatisation of several of Russia's biggest companies. Uneximbank has 38 per cent of RAO Norilsky Nikel, one of the world's biggest nickel producers, and a large stake in Sidanco, Russia's fourth biggest oil company by reserves.

Mr Potanin, whose interests include football, chess and tennis, promised yesterday to represent Russian enterprise "in the broadest sense," rather than just looking after the interests of the banking lobby.

Economists say Mr Potanin has offered few detailed clues to his economic thinking. "How can we say whether he'll become a good first deputy prime minister or not, if we never had a single word from him on his economic programme?" said Mr Pavel Teplukhin, chief economist of Troika-Dialog investment bank.

Mr Potanin worked at the ministry for foreign economic relations for seven years before joining a foreign trade association and then AKB Mezhdunarodnaya Finansovaya Kompaniya (IFC) bank, one of Uneximbank's co-founders. Uneximbank bank was founded in 1993 and now has assets of 17,720bn roubles ($3.4bn).

Mr Alexei Bolshakov has been put in charge of industry, construction, transport and communications and the use of mineral resources.

An engineer from the western city of Pskov, Mr Bolshakov, 56, is the most senior of Russia's three new first deputy prime ministers and will deputise for Prime Minister Victor Chernomyrdin.

Mr Bolshakov had been a deputy prime minister since November 1994, responsible for relations with other former Soviet republics in the Commonwealth of Independent States.

Former finance minister Boris Fyodorov, a radical economist ousted in early 1994, once described Mr Bolshakov as "a normal Soviet apparatchik, not a radical reformer".

Mr Alexander Livshits, 50, Russia's new finance minister and deputy prime minister, joined President Boris Yeltsin's team in 1992 with other pro-reform intellectuals. But unlike most of his colleagues, he has survived through the years of economic reform and political manoeuvring in the Kremlin.

In 1994 Mr Livshits was appointed Mr Yeltsin's chief economic aide. During the president's re-election campaign he appeared regularly on television to reassure workers that their wage arrears were on the way.

Mr Livshits studied mathematics and economics at the Moscow Economics Institute and wrote his thesis on former President Ronald Reagan's government economic policies. A professor and the author of a textbook on the basics of the market economy, he wants Russia to go for growth, putting tough anti-inflation policies of the early years of reform on to the back burner.

"We have done enough worrying about percentages of inflation, now we have to start worrying about growth," he said recently.

Mr Viktor Ilyushin, 59, a first deputy prime minister in the new government, was President Yeltsin's chief aide since May 1992 and played a pivotal role in securing his re-election. He has been an ally of Mr Yeltsin since his communist party days.

He was born into a workers' family in Nizhny Tagil in the Ural mountains and graduated in electrical engineering in 1974 from the same college where Mr Yeltsin studied in what was then Sverdlovsk - now Yekaterinburg. After working at an iron and steel mill, he began a career in the communist party in Sverdlovsk, where Mr Yeltsin was regional party chief. Their paths have been close ever since.

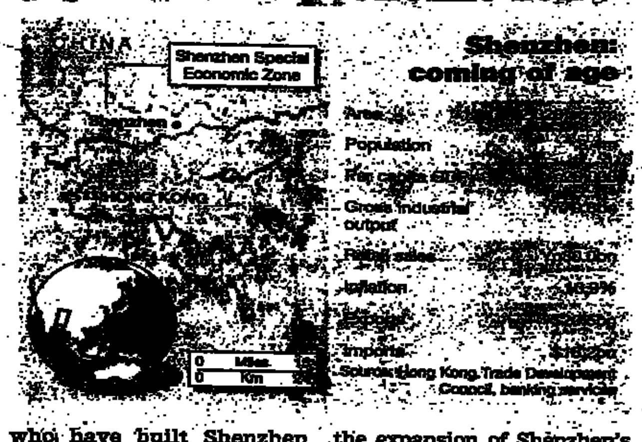
# China's fledgling export base takes off

## But Shenzhen economic zone finds the future insecure, John Ridding writes

Crowds are thin in Shenzhen's new museum. The inhabitants of China's southern economic zone (SEZ) are too preoccupied with business to spend time on the sparse exhibits of the region's brief history.

That bodes well for the future of the fledgling export base. But the future is not yet secure. For, like a precocious teenager, Shenzhen turns 16 this month, cocky about its achievements but poised uneasily between adolescence and maturity.

The most dynamic of China's five special economic zones, designed to spearhead a national transformation from central planning to the market, Shenzhen is confronted with rising costs, crime and corruption. Tax breaks for imports of capital equipment have been ended, reducing incentives for foreign investment, the motor of the SEZ economies. Beijing's policy priorities have shifted in favour of the hinterland and away from coastal provinces.




Among the local businessmen and foreign investors who have built Shenzhen there is concern but also a belief that momentum can be sustained. "The environment is becoming more difficult, and I don't know if tax concessions here will survive," says the commercial director of one Hong Kong manufacturing company, referring to preferential corporate tax rates. "But the commercial roots are now deep," he adds.

How deep is shown from the expansion of Shenzhen's economic base. Annual industrial output has risen from a paltry Yn60m ($7.2m) in 1979 to more than Yn80bn. Realised foreign investment exceeds US$9bn. More than 610 high-rise blocks (18 storeys or more) have sprouted across the former farmland since Mr Deng Xiaoping, China's paramount leader, declared the city and its environs an SEZ. A rising consumer base prompted Wal-Mart, the US retail giant, to open its first Chinese store in Shenzhen this week.

For many local businessmen, the challenge is now qualitative rather than quantitative growth. "In the first 15 years we depended on our financial and geographical position," says Mr Guo Ping, vice-president of Shenzhen Huawei Technology, a local telecoms and electronics manufacturer, referring to investment incentives and Shenzhen's proximity to the port of Hong Kong.

"Now we are at a second stage, where we have to move to higher-value and more technology-intensive production."

This is a necessary shift, given the rise in land and labour costs and the prospect of reduced privileges. But it is not an easy task. Shenzhen's artificial origins mean it lacks educational and technology infrastructure. Skilled staff are in short supply.

Shenzhen Huawei has overcome such constraints through formation of research agreements with universities in Shanghai, Wuhan and Beijing. It has set up an R&D facility in the US and is building another at its site in Shenzhen. Many other companies have launched training programmes for staff or seek to attract employees from Shanghai or Beijing through higher salaries and improved benefits.

These are not the only challenges. Social conditions, from crime to pollution, are growing concerns for investors. One local bank worker says he remembers the first armed robbery in Shenzhen in the early 1980s. He has now lost count. "There has always been a bit of a frontier atmosphere here," says one trading executive. "But sometimes it seems to be going over the edge."

Shenzhen's officials are responding. Mr Wang Zhengming, the chief procurator, says the authorities' tough line, including executions of corrupt senior officials, is having an effect. "After several years' endeavour the social order is improving," he says.

With respect to infrastructure, the city's five-year plan includes ambitious construction targets, including a doubling in the length of superhighway by the year 2000. Power stations and port facilities are being expanded to meet rising demand.

Mr Li Zing-sen, director of the Shenzhen municipal foreign investment office, believes a further boost to development will come from Hong Kong's return to China in July next year and the consequent rise in economic integration.

He plans continued simplifications in investment procedures, boasting that a recent proposal for a factory by Castrol, the lubricants company, was approved in just two days. In his view, there is little chance that Deng's experiment will end up a museum piece.

## Pressure grows to engineer a devaluation of the peso

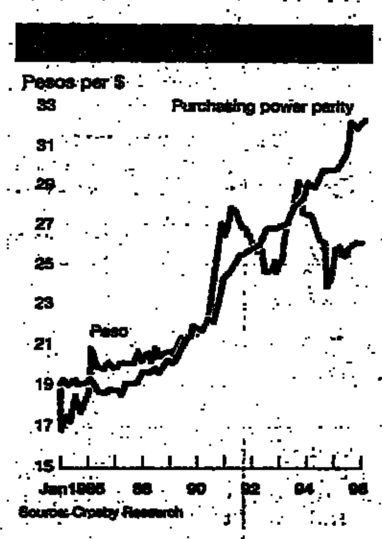
# Philippine trade deficit widens

By Edward Luce in Manila

Pressure on the Philippine central bank to engineer a depreciation of the peso rose strongly yesterday in the wake of figures showing the trade deficit widening by 39 per cent in the first six months of 1996.

The growing trade gap, which leapt from $4.29bn in the first half of 1995 to $5.98bn in the equivalent period of 1996, prompted renewed calls from Philippine exporters for a competitive devaluation of the peso against the US dollar. Exporters pointed out the currency had appreciated by 13 per cent in real terms over the last two years although there was a minor depreciation in nominal terms. More than one-third of Philippine exports go to the US.

Led by the rise in manufacturing sales Philippine exports grew by almost 20 per cent in the first half of 1996 compared to 26 per cent import growth. Philippine exports have grown faster in 1996 than any other south-east Asian economy, including Thailand and Malaysia, which have been badly hit by the global slowdown in demand for electronic products.




Mr Ceilito Habito, planning minister yesterday warned that Philippine electronics and textile sales, which make up over 50 per cent of the country's total exports, could decelerate in line with other Asian countries unless there was an improvement in Philippine labour productivity or a depreciation of the peso.

However, Mr Gabriel Singson, governor of the central bank, yesterday dismissed pressure on the monetary board to abandon its commitment to a market-driven exchange rate policy.

Mr Singson added that imports to the Philippines were almost entirely made up of raw materials and capital goods for subsequent re-export and thus reflected the country's growing industrial base.

Strong portfolio inflows and overseas worker remittances pushed Philippine foreign exchange reserves up by more than $4bn since January to $11.2bn in August as the central bank bought dollars to prevent an appreciation of the peso.

# Australia told to end petrol price controls

By Nikki Tait in Sydney

Australia's top consumer and competition watchdog yesterday called for abolition of price controls on petrol and related products. The federal government said it would respond to the recommendation by the Australian Competition and Consumer Commission after next week's federal budget.

Mr Peter Costello, federal treasurer, said the government was "generally supportive of moves towards greater transparency and competition in the oil industry".

The recommendation that price controls be lifted next year follows a lengthy ACCC inquiry into the "petrol products price declaration system", introduced under a former Labor government. The system caps petrol and diesel product wholesale prices, with the big four suppliers – Ampol, Shell, BP and Mobil – having to notify the ACCC if they want to lift prices.

But the ACCC found these price controls had limited impact, and felt increased competition from independent fuel retailers was likely to be more effective in holding down petrol prices. "(The controls) do not serve a very useful purpose... In most capital cities, they only restrain prices occasionally and on those occasions only a very little," commented Prof Allan Fels, ACCC chairman, yesterday.

The ACCC's recommendation is that the controls be scrapped, although only subject to certain conditions. These include "the development of more vigorous competition in the industry".

At present, independents have only a small share of the retail market – about 5 per cent – but already make a significant impact on pricing. When Ampol merged its operations with those of Caltex to become the sector's leading player last year, the ACCC was at pains to ensure independents were given a chance to acquire surplus terminals and retail sites.

ASIA-PACIFIC NEWS DIGEST

# US missile plan upsets China

China yesterday demanded the US scrap plans to sell an anti-aircraft missile system to Taiwan, saying the sale violated communiques governing Sino-US relations on Taiwan. Under the communiques, Washington has pledged to sell only defensive weapons to Taiwan and to reduce the level of sales over a specified period. In Washington, a State Department spokesman said the US was processing a request for Taiwan to buy the Avenger anti-aircraft missile system. The system, which can use a Stinger missile, was purely defensive and consistent with US policy on arms sales to Taiwan, he said.

● Taiwanese President Lee Teng-hui yesterday said Taiwan needed to review its policy of targeting China as its main market if it wanted to become a regional business hub, sparking a sharp stock market decline. The market, fearing a policy change might endanger lucrative investments on the mainland, suffered a bout of panic selling and fell 89 points. *Reuter, Taipei*

## Megawati invited to celebrate

Ms Megawati Sukarnoputri (pictured left), ousted leader of the opposition Indonesian Democratic party, yesterday said she had received invitations from the state palace to attend an Independence Day ceremony at the weekend but they do not mention in what capacity she can attend. Independence Day is traditionally commemorated at the palace in a ceremony led by President Suharto, who today will deliver his state of the nation address in which he is expected to outline how he proposes to deal with the pro-democracy agitation of the past month. Ms Megawati was questioned for a second time yesterday at Jakarta police headquarters about riots in the capital last month. It is not known whether she will be summoned again. *Manuela Saragosa and Kyodo, Jakarta*

## NZ jobs growth surprise

Strong June quarter jobs growth surprised New Zealand financial markets yesterday. Employment grew by 0.9 per cent in the quarter, compared with average forecasts of 0.37 per cent, and the jobless rate eased slightly to 6.1 per cent from 6.2 in March. The figures were welcomed by the conservative National party government, which faces a general election in October. *Reuter, Wellington*

## Bangladesh PM seeks justice

Sheikh Hasina, Bangladesh's prime minister, yesterday vowed to bring to justice those responsible for the death of her father, Sheikh Mujibur Rahman, the country's founding prime minister, in a 1975 coup. Yesterday was the anniversary of his death, marked officially for the first time. "If you don't punish those responsible, you cannot bring stability to Bangladesh," she said. Earlier this week police arrested three retired army officers suspected of a role in the coup. *Kasra Naji, Dhaka*

**NEWS:** INTERNATIONAL

# LME hopeful on Sumitomo inquiry

By Kenneth Gooding, Mining Correspondent

The London Metal Exchange will be given a clean bill of health by regulators and others investigating the circumstances which led Sumitomo Corporation of Japan to claim it had lost $1.8bn from unauthorised trading in the copper market, Mr Raj Bagri, the exchange's chairman, insisted yesterday.

Senior operating management at Sumitomo were told several times since 1991 that the LME was concerned about the group's activities in the copper market, he said.

"We received assurances from them that they were fully aware of the level of trading and we have documentary evidence to prove this."

When the LME received a complaint from a member that he had been asked by Mr Yasuo Hamanaka, the senior copper trader Sumitomo blames for its losses, to provide a receipt for a fictitious trade worth $250m, the exchange expressed its concern to the Securities and Investment Board (SIB), the City investments watchdog, and even to the UK government.

Mr David King, the LME's chief executive, said the exchange never indicated it accepted Sumitomo's explanation for the letter: that it was for tax reasons and normal in Japan. "But we [the LME] have no jurisdiction over Sumitomo," he said.

Mr Bagri promised that if investigations into the Sumitomo scandal found any breach of LME rules by its members, "we will take appropriate action. There will be no cover-up for members."

He was speaking after the SIB issued a consultation document that will go to about 3,500 users of the LME, regulators and other exchanges around the world, asking what changes, if any, they want made to the operation of world's premier base metals market. This is part of a six-month inquiry by the SIB, requested by the LME and sparked by concerns about the potentially damaging impact which non-member and non-regulated companies such as Sumitomo can have on the metals market.

# Turkey signs oil-for-food deal with Iraq

By John Barham in Ankara

Iraq and Turkey's Islamist-led government have signed an oil-for-food agreement only days after Ankara and Tehran struck a multi-billion energy deal in defiance of new US legislation threatening sanctions against companies investing in Iran.

Although Turkey's foreign ministry said the accord had been signed in the framework of a United Nations plan allowing Iraq to resume limited oil exports, it is likely to irritate Washington further. Yesterday, President Bill Clinton told Congress he would extend US sanctions against Iraq because it was still disregarding the cease-fire accord ending the 1991 Gulf war.

The Iraq-Turkey "mutual understanding" memorandum calls for improved political and economic ties, increased trade and construction of a gas pipeline.

Iraq was one of Turkey's principal trading partners before the war, but trade has dwindled to $200m a year.

Now Turkey wants to meet all Iraq's need for food imports and take Iraqi oil in payment.

Mr Necmettin Erbakan, Turkey's new Islamist prime minister, wants to build stronger ties with Moslem countries, while maintaining Turkey's traditionally strong ties with the west.

Although Washington has advised Ankara to "stay away from Iran" it has not said that a $23bn natural gas import deal signed during Mr Erbakan's visit to Tehran violates the D'Amato law punishing investments exceeding $40m in the Iranian oil and gas industry.

US officials have indicated they will avoid actions that threaten Washington's relationship with a valued ally.

Furthermore, analysts say the agreements signed with Iraq and Iran are politically inspired and unlikely to produce concrete results.

# Nuclear treaty poised to go up in smoke

Forty years of hopes and many months of hard negotiation hang by a thread in Geneva.

Despite almost overwhelming international backing for the idea of a treaty banning all nuclear tests, a stalemate between the nuclear powers and India risks losing the moment and wrecking the concerted drive towards a full test ban.

At its worst, that could mean a slide backwards towards further tests, and a significant defeat for the process of nuclear disarmament.

By refusing on Wednesday to allow a draft treaty for a Comprehensive Test Ban Treaty to be endorsed unanimously by the 61-nation Conference on Disarmament in Geneva, India has in effect vetoed the treaty. International lawyers say that India's action will prevent the conference forwarding the CTBT for general signature at the UN in New York.

If that happens, the long negotiating process in Geneva could start to unravel. The CTBT could be opened up for amendments and arguments, which may take the negotiators further away from agreement rather than narrowing the gaps. A full test ban, still seen by many as a crucial tool for limiting the spread of nuclear weapons and curbing a race to develop ever more sophisticated bombs, would then be in jeopardy.

India feels the proposed treaty crystallises the inequality between current holders of nuclear weapons and the rest. According to Indian negotiators, the treaty does not press the declared nuclear weapons states firmly enough to work towards nuclear disarmament, in return for the rest of the world's agreement not to test atomic bombs.

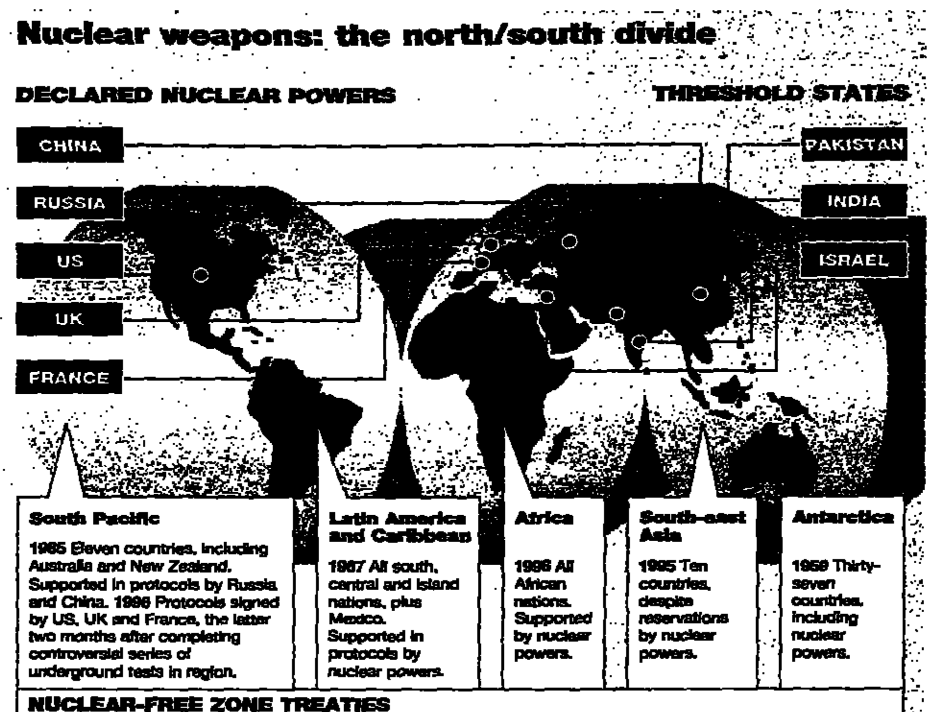
Worse, from the Indian point of view, Britain, Russia and China are insisting all countries capable of making nuclear weapons – not just current declared weapons states – must sign the CTBT before it can come into force. This means India, Israel and Pakistan would have to sign alongside China, France, Russia, the UK and the US.

India points to its nuclear-armed neighbours: China to the east, Russia to the north, and to nuclear-capable Pakistan to the west, and says that it does not wish to surrender the right to test or build nuclear weapons. It would rather wreck a test ban than be cajoled into a treaty it loathes.

This Indian opposition is crucial, because only if the Conference on Disarmament unanimously recommends the CTBT to the UN will the UN accept the treaty on a "fast track", with the General Assembly having to accept or reject it as a whole, rather than re-negotiating it line by line. That route is now in effect blocked.

What is more, India has made its opposition to the treaty so explicit that it would be difficult for Delhi to back down even if the nuclear weapons states were to offer a compromise in the next few days.

Diplomats in Geneva are now wondering what to do next. So far, negotiators have been reluctant to discuss how to go forward if agreement is not reached, for fear of encouraging intransigence.



Source: Mountbatten Centre for International Studies, University of Southampton

India's decision to veto the nuclear test ban, a policy reaffirmed in Prime Minister H.D. Deve Gowda's Independence Day speech yesterday, has strong domestic support, Reuter reports from New Delhi.

His fragile 13-party coalition government, in power since June after inconclusive elections, leans heavily on the former ruling Congress party for parliamentary support. India's only nuclear test in 1974 was carried out under a Congress government, and the party had pledged to retain the option of building a nuclear bomb.

The rightwing Hindu nationalist Bharatiya Janata party, the single largest party in the polls, has repeatedly urged the government to block the pact. Mr Amitabh Mattoo, a security analyst, said over 60 per cent of Indians polled in 1996 wanted another test – up from only 33 per cent in 1994.

Yet this weekend attempts will have to be made to find legal loopholes which would allow the conference to send the CTBT to New York for signature.

The most popular idea being canvassed is for a large group of the conference members, led by the nuclear weapons states, to recommend the treaty to the UN without India's acceptance. Provided it had sufficiently wide support, the recommendation could carry enough moral weight for the UN to accept the treaty.

Unfortunately, this mechanism would open the treaty to amendment by the UN, something the weapons states are desperate to avoid. It may also not get the backing of non-aligned countries, many of which are still smarting from the way the extension of the Nuclear Non-Proliferation Treaty was forced through by the US last year, partly on the promise that a CTBT would be signed in 1996.

Many states are frustrated by this impasse, not least because almost all countries agree that putting a treaty in place would be a valuable safeguard. It would stop the existing nuclear weapons states from making any radical advances in weapon design.

And a few decades from now it would introduce a small but important element of doubt into the mind of a country thinking of using nuclear weapons in a pre-emptive strike on another state: the remote chance that the bombs could fail, despite the predictions of advanced computer models, would give an aggressor pause.

It would also make it much harder for non-weapons states to make an atomic bomb which they could be confident would work. That would help keep whole areas of the world nuclear-free: reducing the number of countries that are certain they can produce viable nuclear weapons, also reduces the imperative on their non-nuclear neighbours to join the nuclear club.

**Bernard Gray**

# Israel launches bond safety net

Israel's prime minister, Mr Benjamin Netanyahu, yesterday announced a "safety net" for government bonds shaken by a wave of dumping by heavyweight investors, Reuter reports from Jerusalem. "The central bank governor, the finance minister and I met this morning and decided... on stabilisation steps for government bonds and a detailed and clear plan for a safety net for the bonds," he said.

The central bank said shortly afterwards it would intervene in the bond market to repurchase government bonds to the value of Shk750m ($238m). It would soak up excess liquidity caused by the repurchases by issuing short-term bills to the value of Shk540m.

Provident funds, long-term savings funds with special tax benefits, have been dumping bonds to meet huge public withdrawals estimated to average about Shk3bn over two months. The public has been redeeming provident funds because of their negative returns caused by falling stock and bond prices.

Mr Netanyahu said he wanted everyone in Israel to know the government stood "completely behind its bonds". The prime minister's intervention was reminiscent of his quick response to jitters in the Israeli stock market after he defeated Mr Shimon Peres, architect of Israeli-Palestinian peace, in the May general election.

**NEWS:** WORLD TRADE

# Loser may fight Subic Bay bid award

By Edward Luce in Manila and John Ridding in Hong Kong

Subic Bay Metropolitan Authority, the Philippines' fastest growing export processing zone, yesterday awarded the contract to manage its container terminal to Hong Kong-based Hutchison Ports Philippines, in a move which may be contested by one of the losing bidders.

SBMA officials said the decision to choose Hutchison, Hong Kong's largest port operator, was based on its superior business plan, despite the fact that it offered only half the amount of its Philippine rival, International Container Terminal Services (ICTSI), in its bid.

Analysts said the decision to choose Hutchison would strengthen Subic's high-profile campaign to attract investment from Hong Kong in the build-up to its handover to China next year.

Officials said that ICTSI, which offered US$56 per 20ft equivalent unit (TEU) handled compared to Hutchison's US$28 per TEU, had breached Philippine competition regulations and was thus disqualified.

A recent Philippine directive prevents companies which own a port in the Philippines from gaining more than 20 per cent control of a rival port. ICTSI, which handled about 70 per cent of the country's 1m TEUs last year, mostly from its Manila terminal, pitched for control of more than a fifth of Subic's container facilities.

"We looked at ICTSI's business plan and it was clear they did not make any effort to address the legal issues raised," Mr Michael Kho, SBMA project manager, claimed. "The SBMA made it clear from the start all bidders have to comply with Philippine law."

ICTSI is considering legal action under the Philippine constitution which gives priority to local groups in "strategic" privatisations. Royal Ports Services, the other losing bidder, yesterday also protested at the decision but did not threaten legal action.

# Canadian suit makers put US rivals out of pocket

US negotiators, under pressure from their political masters to wrap up a free trade deal with Canada, made a concession eight years ago that they now sorely regret.

The concession has allowed Canadian clothing manufacturers, who at one time feared the worst from free trade, to become the biggest suppliers of imported men's wool suits to the US.

Canada's exports have soared from 100,000 suits in 1988, the year before the free trade agreement took effect, to over 1m last year.

Its share of US imports has jumped from 5 to 24 per cent, mostly at the expense of Italy and South Korea.

The biggest beneficiary has been Peerless Clothing, a 77-year-old family business in Montreal.

The Peerless suit factory is now one of the world's biggest with 2,400 workers, four to five times more than six years ago.

Mr Alvin Segal, chief executive, says his customers, who include many of the top names in US retailing, are delighted. "I've never before experienced retailers thanking me for selling to them," he says.

But the US clothing and textile industries are up in arms. "Somebody screwed up by negotiating away our ability to take safeguard measures," says a US congressional aide.

Six trade associations, representing some 80 companies, have set up a Wool Products Coalition under the aegis of a Washington DC public relations company to lobby against the Canadian suit invasion.

**Canadian suit exports**

Sales of wool suits to US

| | C$ ('000) |
|---|---|
| 1991 | 67,931 |
| 1992 | 100,968 |
| 1993 | 135,531 |
| 1994 | 179,941 |
| 1995 | 233,908 |

Source: Industry Canada

Senator Ernest Hollings of South Carolina, who is one of the most protectionist members of Congress, recently introduced an Emergency Safeguard Act that would impose stricter curbs on Canadian suits.

Canada's break initially came in the form of duty-free tariff preference levels (TPLs) – also known as tariff rate quotas – agreed in the closing days of talks leading up to the 1989 free trade pact.

The TPLs were renewed with modifications in the 1994 North American Free Trade Agreement (Nafta) which included Mexico.

The US textile and garment industry says the TPLs were designed as a loophole to ensure access to fabrics in short domestic supply.

The Wool Products Coalition contends Canadian manufacturers are using imported, non-Nafta fabrics, despite the fact that these fabrics are available from North American producers.

The Americans contend Ottawa has also been swayed by the Segal family's strongly pro-Canada stance in advance of last October's referendum on Quebec independence.

According to the Canadians, however, Ottawa insisted on TPLs in the free trade agreement to compensate for ultra-stringent rules of origin on clothing and textiles demanded by the US. The rules of origin, the strictest for any product covered by Nafta, require clothes to be made from North American yarn and fabric before they qualify for duty-free access to the US.

The arrangement was negotiated fair and square, a Canadian official says.

Canadian suit makers have several advantages over their US rivals. They pay significantly less for imported textiles, thanks to an external tariff of only 8-10 per cent (dating from the days of Commonwealth preferential tariffs), compared to a 36 per cent US tariff.

When you have such an advantage on your raw material cost, you cannot help but be a success, says Mr Segal. Peerless has also invested in new technology and reaped the benefits in recent years of a low Canadian dollar.

The Canadians note that US suppliers have the upper hand in clothing made from virtually every other type of material, including synthetic fibres. North-bound clothing exports rose by 150 per cent between 1991 and 1995. The balance of trade in clothing is in Canada's favour but the US maintains a sizeable surplus in textiles.

Canada has so far refused to consider any changes in the arrangement. Ottawa would almost certainly retaliate strongly against clothing and textile imports from the US if new curbs were imposed.

However, the Americans may link wool suits in future to other Nafta-related negotiations such as contentious moves by Canada to protect its cultural industries.

Mr Michael Gale of the American Apparel Manufacturers Association says President Bill Clinton's administration went to the Canadians with a carrot and failed to get their attention. So now Congress is going to try the stick.

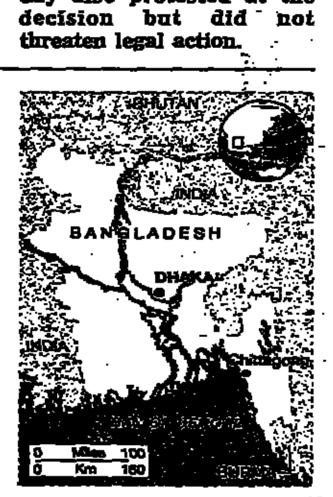
Senator Hollings' bill, now before the Senate finance committee, would limit suits, sports jackets and slacks to no more than half the total TPL for wool garments. Any one of these three items would itself be limited to 50 per cent of the new ceiling. Mr Segal predicts the outcome of the dispute will be to increase pressure on Washington to bring its high external tariff on woollen fabrics into line with Canada's.

But US rivals of Peerless seem more interested in clamping down on the competition than reducing their own raw material costs. Mr Gale insists the two issues are quite separate. The free trade agreement has a deficiency in it that needs to be remedied, he says.

**Bernard Simon**

# Dhaka set to expand exports

By Kera Naji in Dhaka




Bangladesh is finalising plans for a third export processing zone and hopes soon to allow private – even foreign – ownership of EPZs. The steps are being taken after renewed investor interest in the country's policy of tariff- and tax-free zones for the manufacture of exports.

South Korean and Japanese companies in particular seem to have been encouraged by the result of general elections in June, which appear to have put an end to two years of political uncertainty and unrest.

Moreover, the new Awami League government is keen to win over investors as part of strategy for economic growth and the eradication of poverty.

An existing EPZ near the Dhaka airport is to be expanded and a new EPZ is to be established in Ghazipur, 30km north of Dhaka. The government has earmarked TK1,300m ($31m) for the two projects.

Meanwhile, a consortium of Korean companies has proposed investments of up to $1bn over 10 years to establish and administer a zone in the southern port city of Chittagong.

A Japanese government survey of investment conditions in Bangladesh has also proposed an EPZ across the river to the east of the existing EPZ in Chittagong. The survey also found a need to upgrade port facilities, increase power generation capacity, and to construct a tunnel under the river.

The plans to expand the airport EPZ and build a new one are part of a series of decisions approved last month by the Bangladesh Export Processing Zone Authority, chaired by Sheikh Hasina, the prime minister.

Mr Moazzem Hossain, executive chairman of the Bepza, said the government hoped to amend the existing laws to allow private and even foreign ownership of EPZs, under which the land and infrastructure would be owned by the investor. He said the amendments would be proposed to parliament within a month.

Investors are attracted by the quality of the workforce, labour costs that are the lowest in Asia and a tax holiday of 10 years.

However, investment has been slow. Officials believe the political uncertainties of the past two years led many potential investors away to Vietnam, Sri Lanka, and India.

The value of exports from Bangladesh's two EPZs reached $337m last year – a rise of 47 per cent compared with the previous year.

WORLD TRADE NEWS DIGEST

## DBKom move to upgrade network

DBKom, the telecoms subsidiary of Deutsche Bahn, the German railway network, yesterday awarded contracts to supply 5,000km of fibre-optic cable to Siemens, Lucent Technologies and Alcatel. DBKom said the largest slice of the DM200m ($135m) contract – about 35 per cent – went to Siemens, the German electronics group, on condition that it passed work on to several other German companies.

The contract is a first step in DBKom's efforts to upgrade its telecoms network, Germany's second biggest, so that it can compete with Deutsche Telekom after the German telecoms market is liberalised in 1998.

Most of DBKom's existing 40,000km telecoms network is copper cable which needs to be supplemented with fibre optic cables. These are broader and can handle more traffic and more sophisticated broadband services such as video-on-demand. *Michael Lindemann, Bonn*

## EU waives Cambodia duties

The European Union has agreed to let Cambodia avoid garment import duties, a Cambodian commerce ministry official said yesterday. Commerce minister Cham Prasidh would travel to Europe next month to make final arrangements for the "verbal agreement," which would be valid for three to five years, he said. "This is very important for us," the official said.

Mr Cham Prasidh first asked the EU in January to grant Cambodia exemption from some of the conditions imposed in return for receiving Generalised System of Preferences (GSP) privileges. Countries with GSP trading status enjoy exemption from import duties, averaging about 13 per cent, on garment sales to Europe but the garments must be produced locally with locally made fabrics. Most of Cambodia's 32 garment factories import material for their production leading to irregularities in the certificates of origin and violation of GSP rules, EU officials said. *Reuter, Phnom Penh*

## Efes buys Kazakh stake

Efes, the Turkish beverage group, yesterday purchased 61 per cent of a Kazakh brewery from Butya, one of the country's largest private companies, in the first secondary sale of a privatised enterprise in Kazakhstan.

Tarbes – an affiliate of Efes, which owns 75 per cent of the local Coca-Cola bottling plant – bought the Kolos brewery in Karaganda, in central Kazakhstan, for an undisclosed sum.

Butya, the dominant buyer in the country's cash auctions, had bought 71 per cent of the brewery at a privatisation auction last year. Kolos has a capacity of 26m litres but produced only 8m last year. Its sales exceeded $3.5m. *Sander Thoenes, Almaty*

## Australia buys A$58m equipment

The Royal Australian Navy has signed a A$58m ($45m) contract with British Aerospace Australia, part of the UK-based defence group, for supply of the "ships equipment" element of the Nukla missile decoy system. Contracts to supply the decoy element of the system – the other main component – could be awarded next year. Nukla – an Aboriginal word meaning "be quick" – began to be developed in the 1980s in Australia. In July, a memorandum of understanding was signed by the Australian defence minister on joint production of decoys for the Australian and US navies. *Nikki Tait, Sydney*

The party, true to type, has denounced coverage of its convention in San Diego

# Republicans snipe at their media guests

At about the time somebody from Hawaii, or Idaho, was extolling the merits of the pineapple, or potato, as well as delivering all his state's delegates behind Mr Bob Dole's presidential nomination, Marlene Dietrich was singing "See what the boys in the back room will have" on television.

"Destry Rides Again", the film in which she sang the song, could only be found on an obscure cable channel devoted solely to old movies. But cable TV was also just about the only place the Republican convention could be found at that hour, late-ish on the east coast though not on the west – and that has become a source of intense controversy in San Diego.

Republicans, almost by definition, distrust the media. It is over a quarter of a century since then Vice-President Spiro Agnew called them "the nattering nabobs of negativism". In comparison with today's animosity, that represented a high-water mark of friendship. On "talk show row", above the convention floor, very conservative radio commentators rarely fail to mention a survey of the Washington-based media, in which about 90 per cent of respondents said they voted Democratic in 1992 and therefore stood exposed for their "liberal" biases.

Convention speaker after speaker, starting on the first day with Mr Haley Barbour, party chairman, has denounced the media for failing to convey the sense of unity and "inclusion" that are the gathering's guiding principles. The most direct fire has been directed at the major TV networks – CBS, NBC and ABC – which still command the largest evening prime-time audiences. That became a fusillade after Mr Ted Koppel, host of ABC's Nightline programme, said on Tuesday night there would be no more coverage of this convention because it had become "more of an infomercial than a news event."

The fact that Mr Koppel said he expected no more from the Democrats in Chicago the week after next was insufficient mitigation for what conservative pundits, like Mr Robert Novak, the syndicated columnist, called pure "arrogance". But it was left to Mr Michael Deaver, public relations expert for President Ronald Reagan and still a power behind the Republican arras, to deliver the most effective response.

"They [the networks] said they'd only give us an hour of prime time each night so we decided to make it entertaining," he said in a TV interview. The daily non-political prime-time fare tends to run to the bland and non-controversial and that is precisely what the Republicans have put out for national consumption.

Mr Deaver has a point. Gavel-to-gavel coverage is now confined to cable and non-commercial television, though NBC is partly living up to its past by collaborating with public TV on extended coverage and through its new cable news venture with Microsoft.

Even some media heavyweights were uncomfortable with Mr Koppel's démarche without disagreeing with it. Mr Peter Jennings, ABC anchorman, told the Los Angeles Times: "I don't think ultimately anybody will benefit from this – the media or the party." But, he added, "this managed convention contributes to the suspicion people have that the party is trying to use them." Whether because of the bland proceedings or holidays, TV ratings are 20 per cent and more down on 1992. That applies even to the Family Channel, the cable operation set up by the Rev Pat Robertson of the Christian Coalition.

Some TV executives are even predicting this might be the last convention covered even partly live by the commercial networks. Mr Tom Johnson, president of CNN, conceded this was "the most controlled political convention of my career."

The press has its problems as well, partly in keeping the convention story "alive" and partly because of some lapses in customary Republican efficiency. Advanced copies of retired General Colin Powell's Monday speech were not made available in time to catch many first editions of the east coast press.

The near-invisibility – at formal televised convention sessions if not at private meetings of delegates – of Mr Newt Gingrich, the House Speaker, has led to some caustic commentary, particularly after he had, in his only proper speech from the podium, appeared to equate the causes of freedom and smaller government with beach volleyball.

Party managers do not deny that his national unpopularity as a perceived extremist rendered a lower profile sensible. But he is phenomenally popular among delegates, many wearing buttons reading "friend of Newt," who again see the hand of a biased media in his muzzling.

An exception is the home-town newspaper, the Union Tribune, long a conservative bastion and edited by Mr Gerry Warren, once President Richard Nixon's press secretary. Before proceedings in San Diego one of its writers warned that having 15,000 media personnel in the city was "like throwing a party and inviting a bunch of people you don't like".

Conservative magazines are also publishing special editions to keep the anti-Clinton pot boiling and to attract the attention of even the liberal media. One article, in the American Spectator, is devoted to proving that the president cheats at golf.

But, until the lull of the last 48 hours, most TV and press coverage had been favourable, particularly over the selection of Mr Jack Kemp as Mr Dole's running-mate and the impact of Mr Powell's inspirational Big Tent address on unity in diversity. Divisions over social policy, particularly abortion and affirmative action, had appeared last week's story.

Still, it is the assessment the media puts on Mr Dole's acceptance speech of last night that will still, in fair measure, determine how it goes down in the country at large. Republicans may loathe the press but they cannot pretend it does not exist.

**Jurek Martin**

# Argentina spending cap an 'iron law'

By David Pilling in Buenos Aires

The austerity package launched earlier this week by Argentina's new economic team contained a "revolutionary proposal" to restore balanced budgets by legally fixing a cap on spending, according to Mr Alieto Guadagni, trade and industry secretary.

The proposal, which would limit federal transfers to provincial administrations, had been overlooked by panicked markets, which had concentrated on the potentially recessionary impact of this week's austerity measures, Mr Guadagni said.

The package, which was strongly endorsed by the IMF on Tuesday, included a proposal that a ceiling be placed on statutory transfers of tax revenues to the provinces.

As the tax take rose, any surplus would be automatically diverted to an Employment and Production Fund that would pay for cuts in payroll taxes and value-added tax.

"This will be an iron law of fiscal equilibrium," Mr Guadagni said.

The priority was to close the budget deficit, which was racing towards $6.6bn this year, more than double targets agreed with the IMF, he said. But as tax revenue recovered, instead of inexorably fueling higher public spending, it would pay for a reduction of labour costs, considered the main impediment to the creation of desperately needed new jobs.

"This is a very important step, assuming it is approved by Congress," said Mr Pedro Lacoste of the Alpha economic consultancy. "It remains to be seen where the ceiling on transfers is set, but it does correct a perverse effect: if the government was successful in raising taxes or in tackling tax evasion, that immediately led to increased transfers to the provinces."

The measure, however, only covered $9bn of total government expenditure of about $40bn, said Mr Lacoste. "To be truly revolutionary you would have to set a ceiling for overall public expenditure."

Mr Guadagni, one of the few members of the new technocratic team considered to have political clout, said there were other measures that had been overlooked. These included a reduction of VAT from next January by 1 point to 20 per cent and a cut in payroll tax by 3 percentage points. The retirement age for women would also be raised from 60 to 65, although many do not expect this proposal to be approved by Congress.

Mr Guadagni denied that this week's package would snuff out economic recovery by choking off demand. "Our impression is that the recession is behind us and that the economy has entered a phase of moderate, though not generalised, growth," he said.

Mr Guadagni vehemently denied a newspaper report in which he was accused of having said that Mr Roque Fernández, the new economy minister, would not survive three months in his post.

# Liddy wins hearts with labour of love

By Patti Waldmeir in San Diego

Mrs Elizabeth Dole will spare no expense of sentiment if it will get her husband elected president.

Even in America, a country profligate with sentiment, her Republican party convention performance on Wednesday night tipped the scales. When the aspirant First Lady took to the convention floor to "speak with friends" (several thousand of them) "about the man I love", everything was choreographed, down to the treacle content in her North Carolina drawl.

Her image-makers missed only one trick: the elegant Mrs Dole's tangerine suit clashed painfully with the blood-red carpet of the hall.

But such visual infelicities could not break the spell she cast. She gave a performance of such perfectly scripted informality that it invited immediate comparisons, from almost every commentator, with television talk show host Oprah Winfrey.

Network anchormen competed for superlatives to describe the her love testimonial to her husband. But they all agreed that it would change the face of convention-making forever.

The excuse for all this excitement might seem slight to outsiders: Mrs Dole, popularly known as Liddy, had stepped down from the podium to circulate among the delegates, clutching a mobile microphone, to deliver a speech supporting her husband's nomination.

She took her audience on a sentimental journey through the candidate's life, introducing the nurse who cared for his second world war wounds, and the widow of the doctor who rebuilt his shattered shoulder.

With a girlish giggle, this 60-year-old professional campaigner told how Bob Dole displayed his shrivelled right arm to her mother before their marriage. "I think you ought to see my problem," he told his future mother-in-law. She replied: "Bob, that's not a problem, it's a badge of honour."

And from the delegates, fed on a steady diet of such bittersweet tales, there was neither titter nor groan. They had spent days listening to the heart-rending tales of rape victims and Aids sufferers, and hearing saccharine stories of the American Dream. The Olympics of sentiment was drawing to a close. And Liddy Dole had taken gold.

Over the top: Liddy Dole and husband Bob react to the vote that gave him the nomination at this week's convention *Reuter*

AMERICAN NEWS DIGEST

## Morgan Stanley settles claims

Morgan Stanley, the US investment bank, has ended years of litigation by agreeing to pay $20m to the state of West Virginia, settling claims that the bank mishandled the state's investments by engaging in high-risk trades.

The case had been closely watched by securities lawyers because of its possible implications for the $2bn lawsuit brought by Orange County, California, against Merrill Lynch. Like West Virginia, Orange County sustained heavy losses on high-risk investments.

The West Virginia case episode began in the late 1980s when Morgan Stanley and eight other Wall Street firms helped the state invest in a range of financial instruments geared to the US Treasury market. The strategy came unstuck when interest rates rose sharply, and the state lost about $280m.

After West Virginia sued, seven Wall Street firms settled out of court for a combined total of $28m, but Morgan Stanley and Chase Manhattan held out. The Chase case has been awaiting the outcome of the Morgan Stanley proceedings. A lower court ordered Morgan Stanley to pay $56m in 1992, but the West Virginia Supreme Court reversed that decision last year and ordered a new jury trial. Morgan Stanley said in a statement this week that the time had come to draw under a line under the case. *Richard Tomkins, New York*

## New York gains 22,000 jobs

Movie-making, the media business and Wall Street helped give employment a boost in New York in the first half of this year, but the city is still near the bottom of the league table of large US metropolitan areas when it comes to generating new jobs, a report published yesterday says.

The New York State comptroller's office said the 22,000 jobs gained by the city in the first half was the biggest increase since the city climbed out of recession in 1992. But the figure represented an annual growth rate of just 1.4 per cent, and the unemployment rate of 8.6 per cent remained disturbingly high.

New York City is suffering acute budgetary difficulties because the stagnant local economy has left it with insufficient tax revenues to meet projected increases in public spending. Meagre job gains in the service sector have been largely offset by losses in banking, manufacturing and the public sector.

Mr Carl McCall, state comptroller, said arts and entertainment, publishing and the securities industry had led the recent jobs growth, but the city had still only regained a quarter of the 360,000 jobs it lost in the 1989-1992 recession. *Richard Tomkins*

## Court rejects treaty clause

Colombia's constitutional court has rejected a key clause in the 1994 bilateral investment treaty signed with the UK, leaving foreign companies open to expropriation without compensation. The government had anticipated the decision and included changes to the constitutional article on expropriation in a package of reforms presented to congress earlier this week.

The investment treaty contradicted the constitution which now allows property to be expropriated without compensation. The court ruled that the treaty violated the principle of equality by giving special treatment to foreign investors. BP, which has large investments in Colombia, said it was aware of Colombia's respect for international agreements. The government is considering changes to improve the terms of contracts, including one between the state petroleum company Ecopetrol and BP covering the Volcanera, Pauto and Florena fields in the eastern foothills of the Andes. *Sarita Kendall, Bogotá*

# US industrial output edges ahead

By Michael Prowse in Washington

US industrial production edged up 0.1 per cent last month, suggesting the pace of growth in the manufacturing sector is slowing after a strong second quarter.

This impression was reinforced by a sharp decline this month in an index of manufacturing activity compiled by the Federal Reserve Bank of Philadelphia.

On Wall Street, the signs of moderating growth were seen as further grounds for expecting the Federal Reserve to leave short-term interest rates unchanged at 5.25 per cent at its policy meeting on August 20.

The 0.1 per cent gain in industrial production followed a revised 0.6 per cent increase in June. Manufacturing output rose 0.3 per cent, mainly reflecting a 4.3 per cent gain in car production. While a slowdown from previous months, the figures were stronger than the consensus forecast in financial markets, which looked for a 0.2 per cent decline in output.

The rate of industrial capacity utilisation fell to 83.2 per cent against 83.4 per cent in June, suggesting little upward pressure on producer prices.

The Philadelphia Fed said its index of manufacturing activity fell sharply to 21.5 per cent in August from 38.6 per cent last month. A decline means the number of companies reporting increases in activity fell relative to the number reporting reductions in activity.

However, separate data yesterday indicated labour markets remain tight. The four-week moving average of claims for state unemployment benefits fell to 313,000 in the week ending August 10, its lowest level in seven years.

# Balaguer ready to hand over power

By Canute James in Kingston

President Joaquin Balaguer of the Dominican Republic, a blind octogenarian who has dominated the politics of the Caribbean country for most of the past 30 years, will hand over office today to a successor half his age.

Mr Leonel Fernandez, a 43-year-old lawyer, has promised extensive reforms to the country's politics and administration, and to fight corruption. However, he will have difficulty in the legislature, where his centrist Liberation party has 13 of 120 seats in the congress and one of 30 in the Senate.

Aides to Mr Fernandez say he will not compromise of the programmes he has promised for "modernising" the country of 7m people, but it is widely held that his term could be frustrated by lack of support from legislators of the main opposition social democrat Revolutionary party, and Mr Balaguer's conservative Reformist party.

Mr Fernandez was elected in a second round of voting at the end of June after coming second in the first round to Mr José Francisco Peña Gomez of the Revolutionary party. The new president's term was engineered by Mr Balaguer who threw Liberation party support behind him in the second round.

Mr Balaguer reluctantly resigned from politics as part of reforms implemented after his controversial and narrow win the 1994 election. Foreign observers agreed with local parties that there was extensive fraud and Mr Balaguer agreed that his term should be cut by half.

Mr Fernandez said the priority of his administration will be to curb corruption which Dominican business leaders agree is rampant.

The new president will also have to stabilise an economy which has been hit by the protracted election campaign, and by uncertainties among foreign investors and local business about his ability to administer the country with law makers who he does not control.

An early indication of the nature of Mr Fernandez's term will be the results of his efforts to convince legislators to act on laws for the breakup and privatisation of the debt-ridden state-owned power company.

# Chile investors find the going harder

Open-door policy is being tempered by attention to environment, writes **Imogen Mark**

Landowners, villagers and Chile's small but vociferous Green movement ganged up against big business and the government recently to try to stop a gas pipeline to Santiago being routed through a local beauty spot close to the capital.

Ironically, at least in the government's view, bringing in clean natural gas as an alternative to coal and diesel is key to a big issue already on the environmental agenda – cleaning up smoggy Santiago.

But it took the threat of force from both the company and the landowners and eventually the mediation of a local congressman to resolve the stand-off. The Canadian-Chilean pipeline consortium Gas Andes had to offer extra compensation to the village in small public works projects.

Chile's open-door policy for foreign investment has been key to its steady growth in the past decade, but pressures like this from environmentalists and neighbourhood groups and new government rules are making things harder for foreign and Chilean investors.

They now face tougher questioning over new projects which only three or four years ago would have wafted through the approval process.

The strength of feeling over the pipeline dispute took the government and the company, Gas Andes, which is made up of NOVA Corp of Canada and Chilgener, by surprise. A nationwide poll asked respondents what they would think if the landowners blocked access to the Cajon del Maipo beauty spot "as the only means of defending a nature reserve". A big majority, 58 per cent, right across the political spectrum, said they would be "very sympathetic".

Chile's Green movement, such as it is, is a sketchy network of activist groups working mostly on local or specific issues. But environmental issues have also become an item on the agenda of all the political parties.

In 1992 Chile grouped a number of environmental laws under one framework law which, according to Mr Bill Hayes, general manager of Latin American operations for Placer Dome, a Canadian mining company, is "perfectly acceptable".

However, new regulations being promulgated under the framework law mean that by the end of this year environmental impact studies are likely to be mandatory for obviously dirty or potentially harmful projects, from mines to dams and airports to transmission lines.

Foreign investors have hitherto mostly planned new plants or mines to meet environmental standards in their home countries and acceptable to their own shareholders. Most have done environmental impact studies voluntarily.

These are already evaluated by the government's environment commission, Conama, which has begun to demand more and better information.

"We want a self-regulating system for impact studies," says Ms Vivianne Blanlot, Conama's director. "But that means we have to demand rigorous standards from the beginning, so the companies themselves take the studies very seriously."

Conama held up approval earlier this year for a $1bn woodpulp plant near Valdivia in southern Chile until the company agreed to put in a pipeline to take toxic waste from the plant out to the coast, instead of dumping it into a nearby river which ran into a wetlands nature reserve. Its other option was to spend more on waste treatment.

But now the people of Mehuin, the fishing village where the pipe would go to, are refusing even to allow engineers in to inspect the site.

Another project which is being questioned by both Conama and the local residents who would be affected by it is a hydro dam, at Ralco on the Bio Bio river, near Concepcion. The company planning the 570MW plant to be built there is Endesa, the biggest power generator, and it has already filed its impact study. In fact it has also apparently gone ahead and bought land on which it proposes to resettle the community of 380 families of Pehuenche Indians, whose lands will be flooded by the dam.

Ms Blanlot at Conama says there is no question of moving the Pehuenches if a majority refuse to go. Mr José Yuraszeck, president of the board at Endesa, says the Pehuenches live in appalling conditions and the sooner they move to a more civilised setting, the better off they will be.

Mr Eugenio Tironi, a sociologist who advises Gas Andes, says "the environment has become a catchall for a whole range of demands. It's a stick to beat the government and the companies with, for opponents of the economic model. It is being used by individuals or groups who want to protect their privileges, like access to a secluded beach, for example, against invasion by the masses. It's a cause for citizens who want a say in neighbourhood or in national affairs, and who don't feel represented by the politicians."

Local businessmen sometimes accuse the ecologists of being "eco-terrorists", or of being "water melons" – green outside, red inside. But a leading activist, Mr Manuel Baquedano, warned recently, "Don't think you can leave us out. We have know-how, press contacts, international contacts, political contacts here in Chile. We are part of any solution."

# BP to build power plant with US utility

By Simon Holberton and Robert Corzine

British Petroleum and Entergy, a large US utility, yesterday announced plans to build one of the biggest independent power projects in the UK since the privatisation of the electricity industry in 1991.

The companies said they would seek planning approval to build a 1,100MW gas-fired power station which would be sited at BP's Saltend chemicals complex east of Hull in north-east England.

Entergy, the 10th biggest electricity utility in the US, will own, operate and manage the power plant. An Entergy official said the project represented "an opportunity to get into a market that we feel has an enormous amount of potential".

He declined to comment on financing, but industry estimates were in the region of £350m ($542.5m).

Entergy's decision to invest in such a large facility will concern National Power and PowerGen, the UK's two biggest generators. Since privatisation their dominance in the market has come under increasing pressure from independent producers.

Both generators have sought refuge in meeting higher-priced peak electricity demand rather than generating base load power. Entergy will target this market with a plant that can be operated flexibly. A 15-year contract to supply the gas should avoid the pitfalls of past "take or pay" contracts.

The move could add to downward pressure on electricity prices, as more entrants compete for customers. BP's current demand at Saltend is only 100MW and 120 tonnes of steam per hour. The remainder of the power will be sold into the wholesale electricity market.

The Hull plant will represent Entergy's first investment in Europe. As with many US utilities which have limited opportunities at home, Entergy sought to expand overseas, notably in Australia and Latin America.

BP talked to 20 companies about a plant at Hull before selecting Entergy as a partner.

The company stressed that the project was at an early stage. Key issues, such as prices have yet to be negotiated and there remained a lengthy process to secure environmental and planning consents.

The gas will come from "a portfolio of North Sea fields" already linked to the Hull site by a pipeline from one of five east coast gas terminals.

BP will not have an equity stake. "We are not in the business of major power generation; our interest is in finding a customer for the gas and obtaining a cost advantage in power and steam for the chemical works," BP said.

The Hull plant is the largest acetic acid plant in Europe, employing 1,300 people.

## UK NEWS DIGEST

# Inflation rate rises to 2.2%

A surge in house prices pushed the rate of inflation up to 2.2 per cent in July from 2.1 per cent the previous month, the government announced yesterday. But this was offset by some encouraging trends in the retail sector. Although consumer spending has risen recently, retailers still show no sign of raising their prices. The clothing and footwear sectors reported the sharpest fall in prices for any July sale for forty years.

These mixed signals mean that the split between the Bank of England, the UK central bank, and Mr Kenneth Clarke, chancellor of the exchequer, about the inflation outlook is likely to remain unresolved. *Gillian Tett*

■ SHIPPING

### Tanker grounding 'human error'

Human error was to blame for the grounding of a Norwegian oil tanker on rocks off the west coast of Wales, an inquiry report said yesterday. The crew of the 112,000 tonne Borga were at fault during the steering of the vessel in the deep water channel in Milford Haven estuary.

The incident last October happened close to where the Sea Empress supertanker went aground in February spilling 72,000 tonnes of oil.

Borga's double-skinned hull prevented its cargo from leaking, although there was damage to the vessel, which was later refloated. A report on the Sea Empress incident is not expected to be published until early next year.

Mr Nick Ainger, an opposition Labour MP for the area, claimed the accident could have been avoided if escort tugs had been provided for tankers using the busy waterway. "Milford Haven Port Authority don't appear to realise the urgency of the situation – the port is operating in exactly the same way ten months after the Borga went aground," he said. *PA News*

■ MACHINE TOOLS

### Increased exports reported

A hint of an upturn in one corner of British manufacturing emerged yesterday after the machine tool industry reported increased exports.

The sector, which has been one of the most vibrant parts of UK manufacturing in recent years, saw a sharp increase in export turnover in June, the Office for National Statistics said. This followed several months in which export turnover had steadily declined.

The increase is likely to fuel hopes that demand in Europe – a significant machine tool market – may be reviving slightly, after slumping in recent months.

Measured on a three-monthly basis, the level of exports was a seasonally adjusted 5.9 per cent higher than the same period a year before. *Gillian Tett*

■ FOOD RETAILING

### Blackmail charges pursued

Mrs Nora Just, 42, of Mansfield, Nottinghamshire, facing five charges of blackmail against unnamed food companies, was again remanded in custody by magistrates in the northern town of Telford. Her next appearance was set for September 12. West Mercia police said they were continuing to seek the extradition of Mr Michael David Just, who was detained in Austria on July 8, the same day Mrs Just was arrested. *Clay Harris*

# Victorian chemistry a potent drug for City

## Narcotics monopoly can guarantee its profits

The legal manufacture of heroin, morphine and cocaine is one of Britain's last, and least-discussed, monopolies.

Sandwiched between whisky warehouses and a brewery in the shadow of the Murrayfield rugby stadium, Meconic of Edinburgh is the UK's only licensed narcotics producer – and the world's largest.

As an amalgam of three Scottish opium processors, it was founded more than a century ago to supply tincture of laudanum to the wealthy and fashionable, royalty included.

Today, the company specialises in pain-killers, producing up to 70 tonnes a year of opiates, and a much smaller quantity of cocaine, for ear, nose and throat conditions. Its main product is codeine, one-fifth the strength of morphine and growing rapidly thanks to the rise of high-strength over-the-counter painkillers, such as Nurofen Plus, Panadol Ultra and Solpadeine.

Morphine sales are also climbing. Seen for decades as an addictive killer, morphine has undergone a rehabilitation: the World Health Organisation now recommends its use in terminal cancer cases. As a result, a market of two tonnes a year in the late 1980s had grown to 14 tonnes by 1994.

This has put pressure on opium poppy supplies. Meconic, which was a Glaxo subsidiary until a management buy-out in 1990, buys most of its opium from Glaxo's Tasmanian plantation. It also buys from Johnson & Johnson, the Turkish government, and Sanofi of France. However, recent harvests have been poor and in Turkey farmers have opted out of the state-controlled poppy programme.

Mr Marshall Smalley, Meconic's chief executive, says the company is better placed than its competitors to weather the shortage. It is one of the only producers which can also use processed opium from India.

Meconic, with annual sales of £30m a year, is also in a position to guarantee its profits. This has made it a darling of the City since its launch as a public company last year – stockbrokers are still urging their clients to buy shares at double the issue price of 135p.

But there have been challenges to Meconic's monopoly. In 1989, a two-year investigation by the Monopolies and Mergers Commission led to nothing more than a condition that it publish a regular price list.

But the preliminary judgment in a European court case is that local courts should decide whether to open their markets to legitimate narcotics imports and that European Union members should move together in any change. Meconic is assuming that imports will eventually be allowed, and is using the cash from its narcotics operation to diversify.

This has not seen it upgrading its technology. It remains one of very few drugs companies that runs its chemical reactions without electronic sensors or computer monitoring. Where a process needs adjusting, a worker clad in a yellow air suit and transparent face shield will remove the lid from a reactor tank, and see to the problem from there.

The widening of production has brought some unusual ingredients on to the site.

Typical is the cascara bark used to make laxatives for the Calcutta market, daffodil bulbs chopped in a garden shredder for an Alzheimer's disease treatment and chilli peppers used for a neuralgia treatment.

At Meconic, security is a very sophisticated extra, but Mr Smalley says the company is really about little more than "roots, barks and Victorian chemistry".

**Jenny Luesby**

# Clinton attacked over Sinn Féin talks

By John Kampfner, Chief Political Correspondent

Mr James Baker, the former US secretary of state, was accused yesterday of electioneering at the Republican party convention after he suggested that meetings between the Clinton administration and Sinn Féin leaders had sent relations between Washington and London to a new low. Sinn Féin is the political wing of the Irish Republican Army.

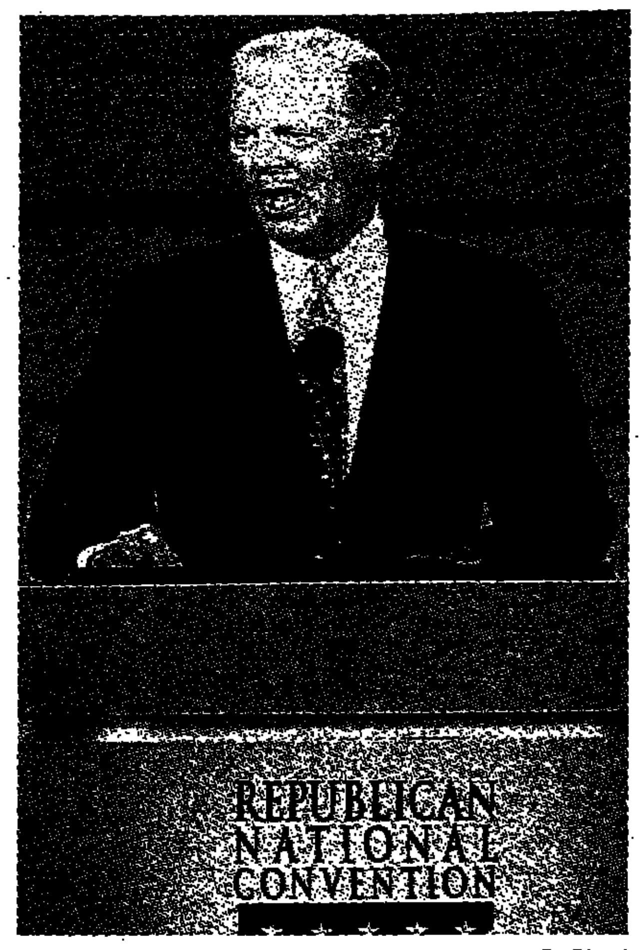
"We have seen a representative of the IRA hosted in the White House just prior to its resumption of the terrorist bombings in London," Mr Baker said at the convention in San Diego. "The result has been the worst relationship with our closest ally – Britain – since the Boston Tea Party."

Sinn Féin in Belfast, the capital of Northern Ireland, said Mr Baker had been responsible for the "failed" policies of the past by allowing Britain to ensure "that the US played no progressive role in the search for peace in Ireland".

In London, Mr Baker's remarks were welcomed by Unionist and Conservative members of the House of Commons, but treated sceptically by British government officials. "There may be problems from time to time, but we get the sense that the Americans are fully abreast of the intricacies of Northern Ireland politics," an official said.

Mr Clive Soley, chairman of the House of Commons committee on Northern Ireland and an MP with the opposition Labour party, said: "This is just the Republicans trying to get votes."

Mr David Wilshire, vice-chairman of the Tory backbench committee on Northern Ireland, welcomed Mr Baker's comments.




Ron Edmonds

Party line: James Baker at the US Republican convention

# Lure of island paradise pales

## Investors may regret the promise of 'low-risk' trading ventures

The sun-drenched dreams of international investors tempted by a Swiss company's seminars, have led to claimed currency trading losses of nearly $27m.

Mr Robert Young, a Nottingham-based currency dealer, faces fraud charges in Jersey's Magistrates Court relating to the affair, which has also resulted in civil actions against a leading Swiss bank, a British firm of accountants and the Channel Island's own regulatory authority.

The seminars in the Bahamas and Bermuda were run by a Geneva-based investment group, Mayo Associates, and a Liberian company, Troy Associates.

Representatives of Cantrade Private Bank Switzerland (CI), a subsidiary of Union Bank of Switzerland, and the UK accountancy firm Touche Ross sometimes attended these forums. Ninety international investors were attracted to put up their money in "low risk" currency trading ventures said to be subject to a 10 per cent downside trading limit.

Their money was put into a Panamanian company, TTS International, which is wholly owned by Mayo, and then placed on deposit at Cantrade in St Helier, Jersey. Using this money as security, funds were released by the bank to Mr Young to carry out currency trading activities.

According to court documents, Mr Michael Marsh, a Mayo director, told potential investors at one of the forums that funds of up to $500m were traded in a day at Cantrade on the basis of the TTS money made available.

Mr Young had previously operated from Nottingham, where he was a director and owner of Anagram Econometrics Ltd (AEL), a company whose application for membership was refused in 1988 by the Association of Futures Brokers and Dealers, a predecessor of the Securities and Futures Authority.

He moved to Jersey in 1991 where he set up Anagram, a currency trader working out of a small St Helier office.

Although self-employed, Mr Young was able to obtain a "J Category" licence to live in Jersey. Normally they are only issued to employees, after their employer persuades island authorities that their presence is essential for the company's future.

It is understood that Mr Young's apparent close links with Cantrade helped him to obtain the licence, and he ended up living in a property owned by a subsidiary of the bank.

It is alleged by Mayo and Troy that valuations produced by AEL and Anagram between 1988 and 1993 showed consistent profits from the currency transactions but that, in fact, "the dealing resulted in substantial and consistent losses".

Including the return of commissions totalling $1.6m, which were paid to Mr Young based on what are now alleged to be false profits, the total losses are said to be $26.7m.

Mayo, Troy and TTS are now claiming this sum from Cantrade, saying the bank did not keep to the terms of its agreements, that it failed to inform the plaintiffs of the losses and that it should have stopped Mr Young from trading when the 10 per cent downside limit was reached.

They are also claiming the losses from Touche Ross, saying that its Nottingham-based partner Mr Alfred Williams audited the purported results of AEL's dealings and that they failed to check the accuracy of Mr Young's stated profits. Both Cantrade and Touche Ross deny the allegations.

The bank claims that Mr Young had total control over the trading activities, that it had no right to interfere and that it was up to the plaintiffs to monitor his activities.

Touche Ross says the firm did not audit the trading figures, that Mr Williams advised Mr Young only on tax matters and the investment companies did not rely on documents provided by him. Mr Williams, a tax partner at Touche Ross until his retirement in 1994, was not a chartered accountant.

Companies House records show that AEL's last published accounts, for the year to March 1989, were heavily qualified by its auditors, the Nottingham office of Spicer and Oppenheim, where Mr Williams was a partner before the firm merged with Touche Ross in 1990. The auditors' report cited "incomplete recording of transactions to the extent that proper accounting records were not maintained".

Mr Young and his wife, Maureen, resigned as directors of AEL in March 1991. It was struck off the companies register in 1993 for failing to reply to inquiries from Companies House.

**Philip Jeune**
**Clay Harris**

## NEWS: UK

### Judge rules plan for £3.2bn out-of-court settlement for investors is legal

# Names lose battle with Lloyd's

By John Mason and Ralph Atkins

Lloyd's of London yesterday won an important legal battle with rebel Names which had threatened to wreck its recovery plans.

A High Court judge ruled it had acted legally in drawing up plans for distributing a £3.2bn ($4.96bn) out-of-court settlement offer after the large-scale losses suffered in the 1980s.

The ruling came as a relief to Lloyd's whose "reconstruction and renewal" plans have to be approved by Names by August 28.

However, Lloyd's faces another substantial hurdle next week when a US federal court hears a case brought by 100 militant US Names – individuals whose assets have traditionally supported the insurance market. Success in blocking or delaying the plan in the US could yet undermine the plan worldwide.

The US Names argue Lloyd's – which will seek to have the case dismissed – should have to comply fully with US securities laws.

In the last UK legal challenge to the plan, Lord Justice Brooke said Lloyd's had acted within its powers in drawing up the recovery plans and had not acted perversely or irrationally as the Names had claimed.

The judicial review had been brought by the Paying Names Action Group, which could decide to appeal. The group had claimed the reconstruction proposals were illegal because they unfairly discriminated against its members who had paid all their debts incurred following the massive losses suffered by the market in the 1980s.

Last night, Mr David Rowland, Lloyd's chairman, said: "We have stressed many times that the offer is in its final form and members must now decide on that basis."

PNAG had claimed the reconstruction proposals, first announced in May last year, were illegal because they went against the basic principle of Lloyd's that Names should be liable for their own debts.

The group argued the proposals infringed the legal principle of non-mutuality because Names who had already met their liabilities would, in effect, be subsidising those who had defaulted.

In court, Lloyd's denied its proposals undermined this principle in any way.

Lord Justice Brooke said the PNAG challenge failed primarily because it did not involve issues of public law. It also failed because of the delay in bringing the challenge and the merits of PNAG's case, he said. The judge will give the full reasons for his decision this afternoon.

PNAG chairman Mr Tony Welford said the group needed to study the judgment. If leave for an appeal were granted, the hearing would take place next week.

# London fails to win support on advert criticism

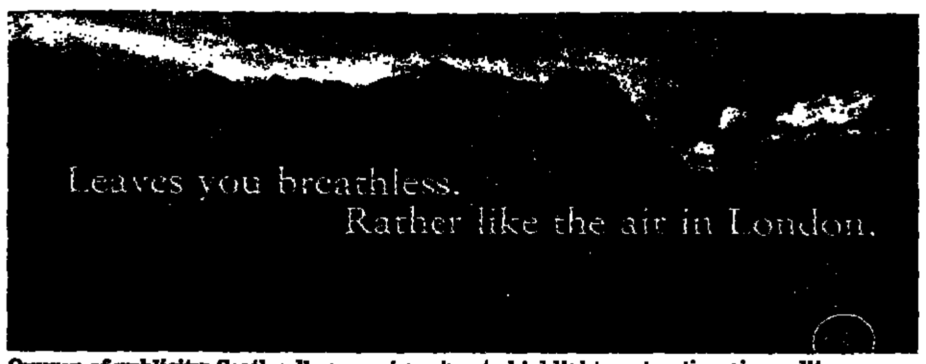
By James Buxton in Edinburgh

The London Tourist Board has failed to win support from the Advertising Standards Authority for a complaint about a Scottish Tourist Board campaign which implies that London is hot and airless in summer.

The Scottish Tourist Board's posters, running on the London Underground and at mainline railway stations, show a Scottish mountain peak in brilliant sunshine. The LTB considered making a formal complaint to the Advertising Standards Authority but was told by the authority it did not have a case and did not proceed.

The London Tourist Board has told the STB that its campaign damages London's tourism industry and is knocking copy. It urges the STB to promote Scotland without comparing it with anywhere else in the UK and says the two boards should co-operate rather than compete.

But the STB says its London rival should get things in perspective. "It's not an attack on tourists in London or on London itself," the STB says. "It just highlights the contrast between the air in London and the air in Scotland which is pretty self-evident." The STB campaign was devised by Faulds Advertising of Edinburgh.



Oxygen of publicity: Scotland's campaign aims to highlight contrasting air quality

The STB campaign is intended to encourage people in London to take a short holiday in Scotland this autumn. "By attracting people to Scotland rather than to France, Ireland or Holland we're benefiting the UK balance of payments and doing no harm to London."

The Edinburgh-based organisation argues that London has already won a substantial slice of the short break holiday market in the UK, persuading large numbers of Scots to go to the capital. The LTB should be satisfied with that, it feels.

On midsummer day, June 21, the STB placed advertisements in English newspapers to emphasise that when darkness falls in London, the sun is still shining in Scotland.

The STB claims that last year – the first year of its autumn campaign – an extra £9.7m in tourist revenues was generated in Scotland by promoting short break Scottish holidays in October and November. The target this year is to win an extra £15m worth of business.

# Pay curb for water chiefs ignored

By Leyla Boulton, Environment Correspondent

Institutional investors have rejected calls from Mr Ian Byatt, director-general of Ofwat, the water industry regulator, to do more to rein in the pay of water executives.

Mr John Rogers, director of investment at the National Association of Pension Funds, said he did not believe that Mr Byatt should concern himself with the issue. "The important thing for the regulator is to deliver what he's supposed to deliver to customers in terms of price and quality of water companies' services."

But Mr Rogers, who represents institutional investors owning 34 per cent of UK equities, said he believed pay levels did not affect either of those.

Ofwat, expressing its concerns in public for the first time this week, has argued that the perceived pay excesses of water bosses are undermining public faith in the regulation of the industry.

Mr Richard Regan, head of investments at the Association of British Insurers, said: "We have sympathy with Ofwat's stance that it is up to shareholders to determine whether there have been excesses or not."

But it was up to companies' remuneration committees, consisting of non-executive directors, to determine pay and compensation levels for executives. He also added pointedly that it was up to remuneration committees to be able to justify these pay levels.

"It is important to maintain a balance between concern over excesses where there is no justification based on improved results, and substantial rewards where there is evidence of improved results," he said. British insurance companies own 23 per cent of UK equities.

Asset managers at individual institutions privately echoed the view that there was no need to do more than what they had done so far to rein in executive pay.

# Scotland may win battery-car plant

By James Buxton

A Norwegian company which has developed a lightweight battery-powered car is considering manufacturing it in volume on a site at Gartcosh near Glasgow in Scotland.

The site would be next to a proposed gas-fired power station for which PowerGen, the generating company, is seeking planning permission.

If the Norwegian company, Pivco, decides to locate at Gartcosh it would strengthen PowerGen's case for building a power station. PowerGen has argued that the power station would attract manufacturers to Gartcosh but so far none has materialised.

The 700MW station faces strong opposition in Scotland. Local Labour MPs and the Scottish Trades Union Congress argue that the station is unnecessary and will destroy jobs in coal mining by undermining the viability of Scottish Power's coal-fired power stations.

The Gartcosh site is one of three locations in the UK being considered by Pivco. Because its plant would be a substantial user of electricity it believes there could be cost savings in obtaining power direct from a nearby power station.

Pivco is a subsidiary of Bakelitt Fabrikken, a plastics manufacturer based at Oslo in Norway and has made about 100 of its battery-powered personal independent vehicles.

The two-person plastic and aluminium cars are in use in Oslo and on trial in San Francisco in the US. A manufacturing plant would employ 520 people at full production. The company expects to decide on a location in the next few months and to commence production in mid-1998.

North Lanarkshire council, the local authority which covers Gartcosh, is to decide next week whether it favours the construction of the power station.

The application then has to be approved by Mr Michael Forsyth, the Scottish secretary.

# Boost for firms' liability campaign

By Jim Kelly, Accountancy Correspondent

A group representing a number of professions believes its campaign to force the government to reform the laws of liability has been boosted significantly by legal moves in Australia and Bermuda.

Mr Graham Ward, group chairman, said yesterday both countries had shown reform could be swiftly achieved through relatively modest legislative moves.

Auditors in the UK, backed by other professionals, businesses and investors, have been pressing the government to reform the law of liability as it affects both individual partners, and their firms.

"The new law in Bermuda is a very welcome development which further underlines that the UK regime on auditors' liability is both out of date and out of step," Mr Ward said. The draft Australian law indicated that leading Commonwealth lawyers were confident reform could work, he added.

Bermuda reformed its Companies Act on July 24 this year by a simple series of amendments five clauses long. The Australian government published a draft law designed to introduce proportionate liability. It had six clauses.

At the moment auditors' firms can end up paying all the damages in an action – even when not the only party to blame.

Auditors want instead a system of proportionate liability where each party pays damages in relation to the degree of blame.

A special report from the Law Commission rejected reform saying joint and several liability was a historic protection for victims. In spite of this, the British government's department of trade and industry is considering reform.

# Liquidators learn from BCCI

### The need for global harmonisation of insolvency laws is stressed

The close of 1996 is likely to be memorable for the 100,000 creditors of Bank of Credit and Commerce International – which imploded in 1991 after the discovery of a "black hole" in the accounts estimated at some $14bn as the result of fraud.

Following a recent High Court judgment in London, there is now growing optimism that a first dividend of 20 cents in the dollar can be paid by the end of the year – possibly in November. While those involved in BCCI know that the case has the capacity to spring surprises there is, at last, some public optimism. Mr Steve Ackers, one of the English liquidators, described the court ruling as removing the "last major hurdle" in what has become a legal steeplechase.

But the court's 66-page judgment gives a rare insight into the intractable problem of cross-border insolvencies and the need for international harmonisation of insolvency laws.

The problems with winding up a bank like BCCI were apparent as soon as its doors closed at noon on July 5, 1991. The bank operated in 69 countries and the depositors were the victims of the biggest fraud in banking history. Up to 3,000 legal actions have followed involving 150m documents.

The liquidation was organised within a global framework based in Luxembourg – the jurisdiction in which the bank was registered. This co-ordinated approach now appears to be on track to deliver the worldwide 20 cents first dividend. However, this triumph was achieved at a price; the subject of liquidators' fees is a festering one.

But the biggest threat to a successful outcome of the liquidation of the bank – successfully cleared last week – was that the insolvency laws of the jurisdictions within the global settlement differ widely. Under UK law – and generally in countries following the common law tradition – loans and deposits can be set off against each other in cases such as the collapse of BCCI and creditors left to claim the difference. Under Luxembourg law such offsetting is not allowed, and loans should be repaid before claims are made.

To try and solve these problems the English liquidators of the bank – at accountants Deloitte & Touche – went to the High Court. They needed the situation clarified before releasing into the Luxembourg central "pool" of assets the $652m in cash they now hold. Creditors claiming in the UK account for about a third of all by number, and more than half by value of claim. The UK is therefore crucial to the global settlement.

The London court judgment means, according to the liquidators, that the English liquidation must be run using English insolvency law. As a result any UK creditor with a set-off problem will be paid from London. All "clean" claims – those without set-off – will be paid out of Luxembourg. The English liquidators will also tie up three other problems following the judgment.

Creditors whose proof of claim is not good enough for Luxembourg, but is good enough under UK insolvency law, will be paid by the English liquidators. They will also refund, directly, the UK Depositors' Protection Board, which has already met sterling deposits of up to £20,000 ($31,200) in BCCI to a level of 75 per cent in thousands of cases. Finally the English scheme will also act as an umbrella over the liquidations in the Isle of Man and Scotland.

The London judgment tied up several loose ends which, potentially, could have tripped up the liquidation at this late stage.

While the creditors will be relieved to get their first dividend many are deeply unhappy at the time it has taken and the cost of recovering 20 per cent of their money – although this may rise to more than 40 per cent over time. A lengthy action is already dragging through the Luxembourg courts in which it is claimed Deloitte & Touche overcharged by £1m in fees over the first six months of the liquidation.

But the accountants will, in their defence, point to the complexity of the case. In 1991 a senior British judge referred to the "truly gargantuan task of preserving and realising the assets of BCCI worldwide".

**Jim Kelly**



– Company Notice –

## General Accident plc

**RESULTS FOR SIX MONTHS ENDED 30TH JUNE 1996**

| | 6 Months to 30.6.96 Estimate £ million | 6 Months to 30.6.95 Estimate £ million | 1995 Year Actual £ million |
|---|---|---|---|
| Premium Income | | | |
| General Business | 2,299 | 2,179 | 4,409 |
| Long Term Business | 851 | 826 | 1,508 |
| Total | 3,150 | 3,005 | 5,917 |
| General Business Underwriting Result | (111) | (9) | (130) |
| Investment Income (net of interest paid) | 266 | 240 | 515 |
| Long Term Business Profits | 46 | 34 | 79 |
| Property Services Result | (7) | (8) | (16) |
| | 194 | 257 | 448 |
| Employee Profit Sharing Schemes | - | - | 12 |
| Operating Profit Before Taxation | 194 | 257 | 436 |
| Realised Investment Gains | 156 | 43 | 123 |
| Profit before Taxation | 350 | 300 | 559 |
| Taxation | 99 | 85 | 151 |
| Profit after Taxation | 251 | 215 | 408 |
| Minority Interests | 3 | 2 | 5 |
| Preference Dividends | 11 | 11 | 21 |
| Net profit attributable to Ordinary Shareholders | 237 | 202 | 382 |
| Operating Earnings per Ordinary Share | 26.9p | 38.5p | 66.5p |
| Earnings per Ordinary Share | 49.3p | 44.5p | 82.8p |
| Principal exchange rates used in translating overseas results | | | |
| U.S.A | $1.55 | $1.59 | $1.55 |
| Canada | $2.12 | $2.19 | $2.12 |

**Notes**

The results of the General Accident Group for the six months ended 30th June 1996, estimated and unaudited, are compared with those for the similar period in 1995. It must be emphasised that the results for an interim period do not necessarily provide a reliable indication of those for the full year. The results for the full year 1995 are also shown. These results do not comprise the statutory accounts for 1995 which have been filed with the Registrar of Companies. The Auditors have reported on the 1995 accounts; their report was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

In order to reflect the results of all life operations, long term business profits now include the earnings of life services company, previously included under investment earnings. The 1995 comparatives have been adjusted accordingly.

Long term business premium income for the six months to 30th June 1996 included £170m arising from the acquisition of Provident Mutual on 1st January 1996 and long-term business profits benefitted by a net £5m.

**TERRITORIAL ANALYSIS**

| | 6 Months to 30.6.96 Premium Income £ million | 6 Months to 30.6.96 Underwriting Result £ million | 6 Months to 30.6.95* Premium Income £ million | 6 Months to 30.6.95* Underwriting Result £ million |
|---|---|---|---|---|
| U.K. | 801 | 13 | 773 | 95 |
| U.S.A. | 674 | (79) | 628 | (50) |
| Canada | 299 | (13) | 300 | (18) |
| Asia-Pacific | 216 | (5) | 193 | (5) |
| Continental Europe | 128 | (11) | 120 | (11) |
| Other Overseas | 99 | (9) | 91 | (6) |
| London Market etc | 82 | (7) | 74 | (14) |
| | 2,299 | (111) | 2,179 | (9) |

*at 30.06.95 exchange rates.

Commenting on the interim results, Bob Scott, General Accident's Group Chief Executive, said:

"After the first quarter setback due to adverse weather, the strong recovery in our performance during the second quarter – which produced an operating profit before tax of £138m – has been driven by an encouraging all round performance. The headline profit of £194m at the half year compares favourably with the £257m achieved in 1995 considering the weather losses, which cost an additional £56m over the previous year.

"In the UK we continue to manage our business successfully in a trading environment that has become increasingly competitive. An excellent underwriting profit of £24m was achieved in the second three months of the year and both our personal and commercial business units traded profitably during the quarter.

"Our results in the United States were significantly affected by weather claims in both the first and second quarters and although further progress was achieved in our underlying performance this was more than offset by these increased weather losses. Canada has achieved an underwriting profit in the second quarter and an encouraging improvement at the half year.

"Our Asia-Pacific business also continues to perform very satisfactorily, with excellent results from both New Zealand and Asia.

"The contribution to profits from our long-term business is up by 35%, in line with our strategy of expanding our profit stream from life operations. The integration of the Provident Mutual business, acquired on 1st January this year, is progressing ahead of plan and after reorganisation costs is already making a contribution to profits.

"Investment earnings growth continued at a satisfactory level during the half year, reflecting positive cash flows.

"The actions we are continuing to take to strengthen our competitive position worldwide are producing positive results and the underlying performance of all our major business units is encouraging. General Accident views the future with confidence."

**Bob Scott**
*Group Chief Executive*
*13th August 1996*

**DIVIDENDS**

**Ordinary Shares**

The Directors have declared an interim dividend for the year ending 31st December 1996 of 11.4p per share (1995: 10.7p per share) costing £55m (1995: £51m) payable on or after 1st January 1997 to ordinary shareholders on the Register of Members at close of business on 29th October 1996. (Ex dividend date 21st October 1996.)

The Directors propose to offer ordinary shareholders the opportunity to receive fully paid ordinary shares in the Company in lieu of the cash dividend.

**Preference Shares**

The dividends on the preference shares are payable as follows:-

The dividend on the 7 7/8% cumulative irredeemable preference shares of £1 each for the period 1st April 1996 to 30th September 1996 will be paid on 1st October 1996 in accordance with their terms to those shareholders on the Register relating to such shares on 4th September 1996. (Ex dividend date 27th August 1996.)

The dividend on the 8 7/8% cumulative irredeemable preference shares of £1 each for the period 1st July 1996 to 31st December 1996 will be paid on 3rd January 1997 in accordance with their terms to those shareholders on the Register relating to such shares on 3rd December 1996. (Ex dividend date 25th November 1996.)

**LIFE BUSINESS**

General Accident's life operations performed strongly and are continuing to make an increased contribution. Long term business profits were up 35% from £34m to £46m, including a contribution of £5m net of reorganisation costs from Provident Mutual, acquired on 1st January 1996. In order to reflect the results of all life operations, long term profits now include the earnings of the life services company, previously shown under investment earnings. The 1995 comparatives have been adjusted accordingly.

New business production in the UK remains very strong. New annual premiums doubled from £21m to £42m reflecting an increased contribution from pension sales which were up by 20% when compared with GA and Provident Mutual's combined volumes in 1995. For the six months, new annual pension premiums accounted for 57% of new annual premium income, compared with only 19% in 1995 for GA Life. This is a very pleasing performance at a time of major reorganisation.

New single premium business was lower at £471m (1995: £559m) as 1995 benefited from the successful issue of single premium Guaranteed Distribution Bond, which attracted £355m during that period. However the Portfolio Bond – GA Life's core single premium investment product – contributed £257m of single premiums in the first half of 1996, well up on the £83m contributed in the first half of 1995.

The reorganisation of the UK life and pensions business is close to completion and well ahead of plan following the acquisition of Provident Mutual and GA Life's competitive position has been enhanced by the lower cost base now being achieved.

**NET ASSETS PER ORDINARY SHARE/WORLDWIDE SOLVENCY**

| | Current (as at 09.08.96) | 31.12.95 |
|---|---|---|
| Net Asset Value per Ordinary Share | 657p | 653p |
| Solvency Margin Worldwide | 74% | 77% |

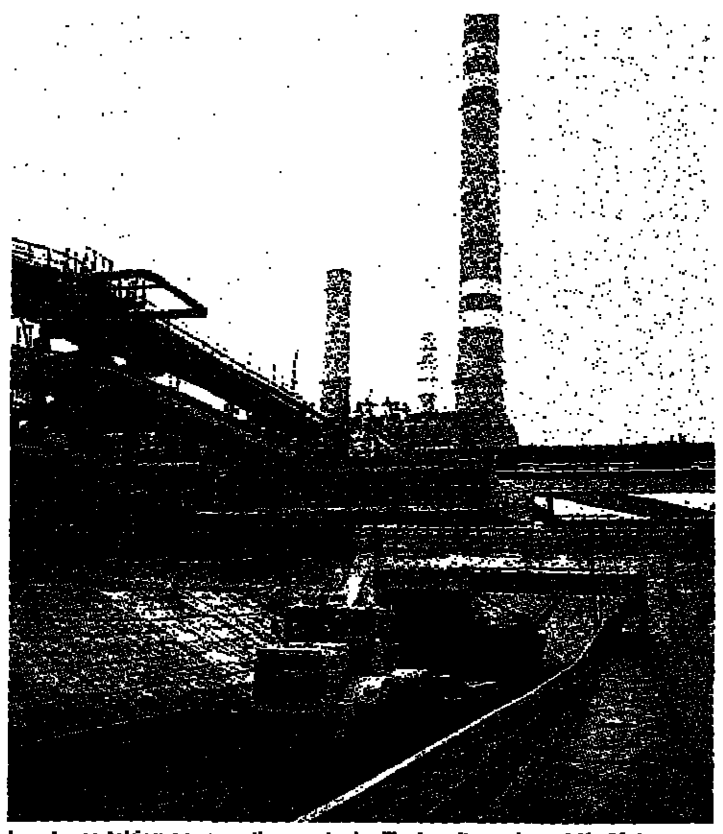
The net asset value of the group at 30th June 1996 was £3,355m, increasing to £3,415m as at 9th August 1996.

*A copy of the interim announcement for 1996 can be obtained from: The Secretary, General Accident plc, Pitheavlis, Perth, Scotland PH2 0NH.*

## MANAGEMENT

# Buyer beware

### When a British steel producer bought a factory in Kazakhstan it nearly ended up with the whole town, reports Sander Thoenes



Ispat was taking on more than a steel mill when it purchased KarMet

For sale: large, archaic factory, complete with too many employees and lots of useless extras.

When British steel producer Ispat last year bought the Kar-Met steel mills, a Soviet behemoth in northern Kazakhstan with an annual production capacity of 6m tons and 26,000 workers, the contract was hailed as the largest company takeover by foreign investors in the former Soviet Union.

But Ispat was taking on more than a creaking steel mill. If the company had struck the deal one week earlier, it would have bought a whole city. At that time, KarMet still owned 36,000 apartments, 25 kindergartens, seven farms, clinics, hotels, buses, a skating rink and a garment factory in Temirtau. Upkeep and salaries for the 10,000 employees who worked for Kar-Met outside the factory compound added $40m (£26m) to the plant's operating costs in 1995.

KarMet was on the verge of bankruptcy, enabling Ispat to demand that the government first take over the social assets, as well as at least $200m (£128m) in old debts. Ispat reserved the right to take back any social assets that could be of use, such as the garment factory and the buses.

"As it turned out, a week before KarMet was handed over to Ispat I got the whole social sector dropped in my lap," recalls Aliy Karabalin, the mayor of Temirtau. "Of course, that was not accompanied by any additional financing from the government. The government dumped all responsibility on our shoulders."

Even so, Ispat was to find that its new acquisition required a much broader commitment to the community.

Its experiences offer a telling insight into the additional considerations facing potential investors when they move into former Soviet Union markets.

The UK company signed a contract with the city to provide $10.5m to cover some social services, including the kindergartens, housing maintenance and the local hospital. "What does it help me if I have disgruntled workers because their apartments are cold," says Johannes Sittard, Ispat's managing director. "The only solution for us was to get involved. It is part of providing social welfare for our employees."

The economic downturn in the former Soviet Union and the inefficiency of many production lines has scared investors away from factories such as KarMet. But another barrier, less well known, has been the additional cost of financing an extensive social welfare system that used to be provided largely by the state-owned enterprises.

"Even what they [KarMet] didn't own they regarded as theirs," says Liliya Barakova, a city official put in charge of the kindergartens that used to belong to KarMet. "They were never stingy. After all, if you include the wives and kids, the whole city depended on them anyway." When asked why KarMet went bankrupt, Barakova smiles sadly. "I guess it's because they handed out money to each and everyone."

Now that market reforms have put real price tags on most products and state subsidies are phased out, the weight of maintaining the social sector has become too much for most enterprises. Kazakhstan, like Russia and several other former Soviet republics, is now trying to transfer these social services to the city governments. Temirtau is one of the first cities to feel the full effect of that move.

Cities receive no additional subsidies to run their social services and most Kazakhs cannot even afford to pay for electricity, let alone the repair of their dilapidated homes.

Foreign investors, such as Ispat, have little choice but to chip in.

In addition to supplementing the budget of Temirtau, Ispat also spends almost $1m a month on occasional subsidies, sponsoring local participants in the Olympic Games and chipping in to ensure bread supplies.

"This we do as good corporate citizens, but at our own free will," says Sittard. "There's an endless queue of people who want something. It was done in the past, without any consideration that someone had to pay for it."

Some of the social services are learning to cut corners without serious damage to the inhabitants of Temirtau. KarMet's kindergartens were some of the best in the former Soviet Union, with pools, saunas, computers, special nurses and even English teachers. For every seven children there were two staff workers.

"The state paid for it all. We never counted money," says Barakova, of the city department for kindergartens. "Now we count every penny. Everything that is extra will now be charged to the parents. We have to economise somehow."

Zhannat Ertlesova, deputy economics minister, regards "a change in the psychology of the people" as her government's main achievement in recent years. "Two years ago everyone just asked us for help. People have now started to understand that everything depends on them and their management skills," she says. "The job of the government is just to provide the conditions."

But in impoverished towns such as Temirtau, such logic will not suffice to make social services work in the difficult years to come. Patients at Temirtau's best hospital have to bring their own medication, bandages and syringes. When the power plant broke down, thousands of families were left exposed to 30°F frosts.

Investors such as Ispat and Chevron have to face the fact that many former Soviet citizens will associate such hardships with the foreigners who moved in to take over.

"The separation from KarMet has left the whole city at a loss," says Vladimir Nikitin, director of the Ice Palace, Kazakhstan's second largest skating rink. Nikitin is convinced his rink will not survive on its own.

"Everything is being sold off to foreigners," he says, flustered with indignation. "That's fine if the buyers don't just think about stuffing their pockets. But they need to think about the city they're in too. You can't just let the city die."

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JOHN KAY

# Lessons from the sporting world

A century after the foundation of the modern Olympic Games, the unhappy saga of the Atlanta event leaves everyone disenchanted. To focus too much on winning devalues, in the end, what it is that is won. Excessive commercial sponsorship destroys the worth of what it is that companies wish to sponsor. The old Olympic slogan claimed that the important thing was not the winning, but the taking part.

Today, all that seems very old-fashioned. More modern epigrams are "show me a good loser and I'll show you a loser", and "winning isn't just a matter of life and death, it's more important than that". The fusty functionaries portrayed in *Chariots of Fire*, who resisted the onset of professionalism in sport, and who insisted that individuals should subordinate their own concerns to those of the team and the event, now seem to us old-fashioned. But perhaps they had a point after all. It is not just the skills of David Puttnam which made the 1924 Paris Olympiad seem a magical event when contrasted with Atlanta 1996. There may be a lesson here, not just for other sports but for the way we run our businesses.

There is a tension between Adam Smith's invisible hand – which enables us to achieve social ends which were no part of our intention – and A. W. Tucker's Prisoners' Dilemma, the most famous application of game theory – which tells us that individually rational actions can give rise to collective outcomes which no one would choose.

Drug-taking by athletes offers a striking illustration of the Prisoners' Dilemma. It is obvious that the best solution for everyone would be that no one should use drugs. And that the worst result for me is that I don't and everyone else does, and the best is that I alone do. The consequence is that once drug-taking starts, everyone must do it. Yet if they lead to the same improvement in the performance of each competitor, the result will be the same as if no one had done it in the first place. Everyone has lost.

The example illustrates the two ways in which we can resolve the problem. One is to apply an unwritten but accepted code of behaviour that simply made the taking of drugs something no serious athlete would consider. That was a flexible mechanism – it didn't stop you taking paracetamol for a headache – and for long enough it worked. It broke down under the combined pressures of the overwhelming desire to win and a legalism which says you can do what you like until it is prohibited by a formal rule. So we have now resorted to the second means of resolution, and invoked the formal rule. That subjects everyone, whether they have been taking drugs or not, to the humiliation of urine samples and random testing. And it is far from infallible, so that every unexpected victory leaves a sour taste – of what substance? – in the mouth.

**Neither war nor jungles produce much in the way of economically useful output**

So when do we benefit from the invisible hand, and when do we suffer from the Prisoners' Dilemma? We benefit from the invisible hand in situations where rivalry between individuals, firms or countries acts as a spur to everyone's performance. And we suffer from the Prisoners' Dilemma when co-operative actions by individuals firms or countries are capable of producing more than the sum of what each could produce when working on their own.

The Olympics illustrates the issue well because it so clearly demands both. Without competition between individuals, there would be nothing to watch. And yet if the Games amount to nothing more than the aggregate of individual competitors there is nothing which is worthwhile to watch. And commercial success depends, in general, on that tricky balance between competition and co-operation, which worked so well for many Olympiads but which seems no longer to exist.

As at the Olympics, the benefits of competition are greatest when that competition takes place within a framework of shared understandings and agreed rules, many of which cannot ever be written down. Symbols and myths play an important role in presenting these understandings and rules.

The modern Olympics benefited from the fanciful notion that they were a revival of an event conducted millennia ago by the ancient Greeks. The Olympic flame demonstrated the continuity of traditions and values. Today, all these are reduced to empty rituals. The event organisers and the public relations consultants, connected to the values of the underlying business or the underlying function only by their monthly retainers, have taken over.

What sport illustrates so well is how exhilarating and productive can be the forces of competition within an organised and disciplined framework – and how tacky and tedious are the results of unbridled individualism. It illustrates also that if concepts like sportsmanship – adherence to values as well as rules – and team spirit – willingness to subordinate individual interests to the group – are features of a bygone age, then we are worse off for the passing of that bygone age.

We should remember that next time we hear a business leader using a military analogy or telling us that it is a jungle out there, it is not. And the analogies should remind us that neither war nor jungles produce much in the way of economically useful output. The sporting metaphor, with its emphasis on the need for rules, conventions, teams and umpires, is a better description of how effective capitalist economies work.

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## LEGAL NOTICE

**ICS REINSURANCE PRIVATE LIMITED**
**RMCA REINSURANCE LIMITED**
SCHEMES OF ARRANGEMENT
("THE SCHEMES")

NOTICE OF DECLARATION OF INTERIM DIVIDENDS

NOTICE IS HEREBY GIVEN that first interim dividends of 50 cents in the dollar (US) have been declared in the above named Schemes.

Dividend cheques in respect of those claims which have been agreed will be despatched to Scheme Creditors shortly.

P J SINGER & C J HUGHES
Joint Scheme Administrators
ICS Reinsurance Private Limited
RMCA Reinsurance Limited
Dated this 31st day of July 1996

## LEGAL NOTICES

In the High Court of Justice No.003762 of 1996
Chancery Division
Companies Court
Mr Registrar

IN THE MATTER OF
REALISATION COMPANY PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 31st July 1996 confirming the reduction of the capital of the above-named Company from £7,500,000 to £300,000 and the Minute approved by the Court showing with respect to the capital of the Company the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 2nd August 1996.

**LEYLAND DAF HOLDINGS LTD**
(In Administrative Receivership)

NOTICE IS HEREBY GIVEN pursuant to section 98 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above-named company will be held at: Coopers & Lybrand, Plumtree Court, London EC4A 4HT on 27 August 1996 at 10.00 am for the purposes mentioned in sections 99 to 101 of the said Act.

A list of the names and addresses of the company's creditors may be inspected free of charge between 10.00 am and 5.00 pm at Coopers & Lybrand, Plumtree Court, London EC4A 4HT on 22 August 1996 and 23 August 1996.

By order of the Board
M.L GREEN
Director
13th August 1996



## LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE
No 003893 of 1996
CHANCERY DIVISION

IN THE MATTER OF THE CANADA LIFE ASSURANCE COMPANY OF GREAT BRITAIN LIMITED
- and -
IN THE MATTER OF THE CANADA LIFE ASSURANCE COMPANY (U.K.) LIMITED
- and -
IN THE MATTER OF THE INSURANCE COMPANIES ACT 1982

NOTICE IS HEREBY GIVEN that a Petition was on 11 July 1996 presented to Her Majesty's High Court of Justice in England by The Canada Life Assurance Company of Great Britain Limited ("CLGB") for an order under Part I of Schedule 2C to the Insurance Companies Act 1982 (as amended) ("the Act") sanctioning a scheme ("the Scheme") for the transfer to The Canada Life Assurance Company (U.K.) Limited ("CLUK") of the whole of the long term insurance business carried on by CLGB and making provision for related matters in accordance with paragraph 5 of the said Part I.

Copies of the Petition and of a report on the terms of the Scheme by an independent actuary, as required by paragraph 2(1) of the said Part I, may be inspected at each of the offices specified in the Schedule hereto during usual business hours for a period of at least 21 days beginning with the date of the first publication of this notice.

The Petition is directed to be heard before the Companies Court Registrar at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday, 13 November 1996 and any person, including an employee of CLGB or CLUK, who alleges that he would be adversely affected by the carrying out of the Scheme may appear at the hearing in person or by Counsel or solicitor advocate. Any person who intends so to appear, and any policyholder of CLGB or CLUK who dissents from the Scheme but does not intend so to appear, should give notice in writing of such intention or dissent, and the reasons therefor, to the solicitors named below not less than two clear days prior to the hearing.

Copies of the documents specified above will be supplied by such solicitors to any person requiring them before the making of an order sanctioning the Scheme on payment of the prescribed charge.

18 July 1996

Linklaters & Paines (Ref: AVB/DEOB), Barrington House, 59-67 Gresham Street, London EC2V 7JA
Solicitors for CLGB and CLUK

THE SCHEDULE

The Canada Life Assurance Company of Great Britain Limited and The Canada Life Assurance Company (U.K.) Limited, Canada Life Place, Potters Bar, Hertfordshire EN6 5BA

The Canada Life Assurance Co. (Ireland) Limited, Temple Road, Blackrock, Dublin, Ireland

SOT Sud-Ost Treuhand AG, Praterstrasse 23, 1021 Vienna, Austria

Reconta Ernst & Young, Via Torino 68, 20123 Milan, Italy

Linklaters & Paines, Rue du Luxembourg 47-51, B-1050 Brussels, Belgium

Revikon Ernst & Young, Kontroll und Beratungsaktiengesellschaft, Aeulestrasse 60, FL-9490 Vaduz, Liechtenstein

Ernst & Young A/S, Tagensvej 86, DK-2200 Copenhagen N, Denmark

Ernst & Young, Rue Richard Coudenhove-Kalergi, L-1359 Luxembourg - Kirchberg

Tilintarkastajien Oy Ernst & Young, Kaivokatu 8, 00100 Helsinki, Finland

Moret Ernst & Young, Drentestraat 20, 1083 HK Amsterdam, Netherlands

Linklaters & Paines, 21, Boulevard de la Madeleine, 75001 Paris, France

Ernst & Young, Tullins gate 2, PO Box 6834, St Olavs plass, N-0130 Oslo, Norway

Linklaters & Schon, Weissfrauenstrasse 1, D-60323 Frankfurt am Main, Germany

Ernst & Young, Edificio Republica, Avenida Da Republica, 90, 1600 Lisbon, Portugal

Ernst & Young, Suite 5, International House, Bell Lane, Gibraltar

Ernst & Young, Torre Picasso, Plaza Pablo Ruiz Picasso, 28020 Madrid, Spain

Ernst & Young, 3-5 Ilision Street, GR-11528, Greece

Ernst & Young, Adolf Fredericks Kyrkogata 2, Box 3143, 10362 Stockholm, Sweden

Endurskodun & Radgjof HF, Ernst & Young International, Skeifan 11A, PO Box 8693, 108 Reykjavik, Iceland



صكرا من الاجل

# Murder, Mozart and eroticism

## Andrew Clark reports on the Glimmerglass Opera festival

It is one of the perversions of opera that an audience can spontaneously applaud when a brutal murder is committed. Such is the case with *Lizzie Borden*, Jack Beeson's sinister New England thriller, which has just been revived at Glimmerglass Opera in upstate New York.

Hemmed in by her insidious stepmother and a miserly father who has never forgiven her for being female, Lizzie drives herself into a frenzy and kills them both with an axe. Unlike Elektra, whose family circumstances she sometimes recalls, Lizzie goes to trial, is acquitted and lives out her days as a pariah. Based on an infamous murder case of the 1890s, *Lizzie Borden* has a good old-fashioned plot and a strong theatrical touch. Beeson makes sure the audience sides with Lizzie to the bitter end.

When *Lizzie Borden* was premiered at New York City Opera in 1965, its traditional but hard-edged virtues were out of kilter with the musical spirit of the time. In today's less dogmatic climate, these virtues can be properly appreciated. Beeson, now 75, knows how to write songful music in an American vein. There are plenty of blood-curdling Expressionist growls – but they are used for an expressly dramatic purpose, as are the passages of repose in which Beeson develops character and atmosphere. Although the Glimmerglass production does not deliver a knock-out punch, it shows that *Lizzie Borden* is worth rediscovering.

Glimmerglass is based at Cooperstown, a small community equidistant from New York City and the Canadian border. The festival started in 1975 as a modest local operation at Cooperstown High School. Today it has a budget of $3.5m and its own custom-built home overlooking Lake Otsego, the placid waters of which inspired its name.

This rustic environment has prompted the sobriquet "the American Glyndebourne", which does both festivals an injustice. Yes, you can picnic in the grounds of the 950-seat Alice Busch Opera Theater (a modern architectural triumph, with walls which slide open), but it is still a relatively undeveloped site, with insufficient protection against the midsummer sun. And unlike Glyndebourne, no one at Glimmerglass will bat an eye if you turn up in shorts.

Artistically, too, Glimmerglass is very much its own creature. It has a well-established programme for young American singers, which means you hear plenty of fresh, unspoilt voices. The distaff side is that most have yet to fulfil their potential, and there is a shortage of personality in the pit. The festival's biggest weakness is its insistence on singing in the original language. How can all-American casts expect to communicate with all-American audiences in a language neither understands?

With *Lizzie Borden*, of course, this presented no problem. Rhoda Levine's staging looked handsome in John Conklin's austere Chekhovian set, but it failed to resolve some key paradoxes. In an otherwise naturalistic setting Sheri Greenawald's camp stepmother had me grinning rather than recoiling. Phyllis Pancella's Lizzie seethed with repressed emotion, but left unclear whether her dominating passion was jealousy, revenge or lust for her sister's fiancé. And despite the opera's gripping material there are too many quick scenes, too many ariosos that fail to blossom.

The most interesting voice was the high lyric baritone of Erin Caves as Jason MacFarlane, the sea-captain with whom Lizzie's sister elopes. He is one of several in Glimmerglass's current crop who seem destined for an international career. *La finta giardiniera* boasted a full-bodied Mozart soprano in Sondra Radvanovsky's Arminda, a smooth, musical tenor in William Burden's Belfiore and a lively soubrette in Karina Gauvin's Serpetta. All three are good actors – as were most of the cast of Cavalli's *Calisto*. The outstanding contributions here came from Christine Abraham's glamorous Diana, Lisa Saffer's nymph-like Calisto and a brilliant young countertenor, David Walker.

*La finta giardiniera* was set in a New England manor garden, with picture-book decor by Michael Yeargan and period costumes by Susan Hilferty. Mark Lamos's staging was witty and theatrical, with the 17-year-old Mozart popping up at key junctures to orchestrate events. As in *Figaro* and *Così*, the sexual comedy is profoundly double-edged – a point that came across strongly in this production's beautifully composed ensembles.

I failed to respond to Stewart Robertson's prim conducting, which sacrificed all expressiveness to evenness of tempo. But I did enjoy Jane Glover's treatment of *Calisto*. Using her own edition and a tiny instrumental ensemble, she tapped the poetry, fluency and emotional freedom of the music in a way that had eluded her Glimmerglass *Poppea*.

And what freedom! Judging by the opera's cross-dressing and unabashed eroticism, 17th-century Venice was a swinging place. Simon Callow's staging was full of earthy humour, wicked satire and sexual innuendo. John Conklin's decor resembled a scorched stony heath, a summit-of-the-earth setting framed by a spectacular succession of illuminated blue backdrops. The mythological element was submerged beneath a primitive tribal look – particularly effective in scenes involving the wood deities, ignoble savages with a penchant for gorilla-like dances. Far from cheapening Cavalli's music, the production brought out its passionate, pantheistic splendour.

All of which should encourage Callow to resume his operatic career. *Calisto* was the only production this summer to realise the full potential of music and staging – and as such it should be a prime candidate for transfer to New York, where Glimmerglass has thriving links with both City Opera and the Brooklyn Academy of Music. Next summer's operas are Britten's *Owen Wingrave*, Smetana's *Two Widows*, Gluck's *Iphigénie en Tauride* and Rossini's *L'Italiana in Algeri*. Whoever said Americans were conservative?

Outstanding: Christine Abraham's glamorous Diana in 'La Calisto'

Jazz/Kevin Henriques

# Brecon pulls it off – again

The last time I wrote about Brecon's annual jazz festival on these pages (1985) I described it as a "modest affair" (after all, it was only its second year). It cost around £27,000 to stage. Eleven years on, the budget for the 13th edition of Brecon Jazz, just ended, was "around £400,000" and it has become the premier weekend jazz festival in the British Isles bar none, attracting visitors and media attention from continental Europe as well as Britain.

Brecon's annual beanfeast of jazz remains, after 13 years, very much a Welsh effort as far as public funding, commercial sponsorship and actual organisation are concerned. Also for its artistic direction, which from the beginning has been handled with astonishing flair by Jed Williams, of the Welsh Jazz Society. He has the admirable knack of securing not only the leading American artists but pulling off some remarkable coups.

This year was no exception. Faced with the last-minute withdrawal, due to illness, of solo pianist Jessica Williams, whose concerts were all sold out beforehand, he persuaded Dave McKenna to fly specially from America to replace her. A felicitous choice, for McKenna, though totally different in style to Williams, is certainly a more entertaining, comfortable pianist. A hard-swinging rhythmic player, his renowned left hand pumping relentlessly, McKenna explored thoroughly an array of familiar standards, demolishing them.

Coincidentally, Brecon '96 offered a plethora of pianists. John Bunch, a rare visitor, heard alongside exquisite guitarist Bucky Pizzarelli, contrasted tellingly with McKenna, displaying taste and subtle feeling for dynamics. John Colianni was the piano spark with tenor-saxist Harry Allen's quartet which, apart from the leader's feather-light playing, was enlivened by the irrepressible drumming of Duffy Jackson. British pianist Colin Purbrook soloed with customary adroitness in the quintet co-led by cornettist Warren Vaché and tenorist Scott Hamilton, making a now-rare appearance together but whose partnership is still musically sublime. Cedar Walton led the trio, accompanying Phil Woods, who proved he remains one of the most creative and adventurous alto-saxist in jazz.

Brecon '96 catered for all tastes, as usual. Trumpeter Tom Harrell provided cerebral jazz of undisputed quality. His compositions, reflecting his introverted personality, demand close listener attention, not always easy to sustain. His lyricism could not be equalled but the revelation of his sextet was tenor-saxist Bob Berg who, with benefit, has shaken off his Coltrane mannerisms.

Another revelation was drummer Chico Hamilton, leading a quartet with such energy, enthusiasm and humour that belied the fact he will be 75 next month. Energy, enthusiasm and humour are words applicable to another veteran, Illinois Jacquet, who fronted his roaring big band for just one concert – another Brecon coup. Tenor-saxist Jacquet, a jazz legend, pleased everyone in the huge Market Hall with his timeless, swinging, melodic playing, especially in ballads, but he also gave ample solo space to his sidemen.

Brecon's other big band this year was the one specialising in the compositions of bassist Charles Mingus. An exuberant, shouting, rough-in-places 14-piece ensemble, it epitomises the restless spirit of the late, great Mingus. Many in the Mingus band are leaders themselves – Randy Brecker, Gary Bartz, Eddie Henderson, for instance – and all were heard extensively. So was tenorist John Stubblefield, whose speciality is sustaining crowd-pleasing, upper register harmonics. The next day he was doing the same with the Fort Apache Band from New York, a sextet playing a mixture of Latin and ultra-modern jazz. They were predicted to be "The Big Surprise of 1996". They were not. Just who was The Big Surprise is a matter of personal opinion – and luck. Just as a reviewer faced with three days of outstanding concerts starting at midday must miss many because of inevitable clashes, so must the jazz-chasing listener.

So the set-piece concerts such as those mentioned here form only part of Brecon's glorious festival. To have had to miss Van Morrison, Betty Carter, Joshua Redman, Charles Brown, Joe Henderson and Gordon Beck among many others is a telling indication of the goodies on offer last weekend.

Brecon '97 will certainly be as attractive and tasty as this year – clearly the best ever. Jed Williams and his team are sure to pull some more juicy plums out of the jazz basket.

# Circular dance on the ocean wave

## William Deresiewicz finds Merce Cunningham's sea is full of riches

*Ocean*, the final project of John Cage and Merce Cunningham's lifelong partnership, is in many ways the opportunity that Cunningham has been waiting for all these years. Cunningham long ago rejected the frontal, centered orientation of the traditional stage: both his movement technique and his compositional practice have always implied a theatre-in-the-round. Now, with *Ocean*, he has finally got it.

The circle of spectators surrounds a circular stage. Atop the tiers, some 112 musicians surround the spectators in turn. With its tight arrangement and inward focus, the arena seems as much a space of ritual as of exhibition. Four pairs of video monitors count down to the start of the work, then count up its 90-minute duration. At Lincoln Center's Damrosch Park, where the work received its first New York performances last week, the countdown exerted an uncanny pressure, as if one were about to witness the lift-off of an experimental rocket.

Once the work begins, one further perceives how deeply the theatre's traditional metaphors have been disturbed. "Front" is both everywhere and nowhere. With movement oriented in a potentially limitless number of directions, one is both perpetually lost and perpetually certain that one is in the right place. The stage acquires the pitilessly exposed quality of a terrarium. Fortunately, Cunningham's magnificently trained dancers measure up to the most complete scrutiny.

The music simmers with energy. Andrew Culver executed the composition from Cage's original plan, and David Tudor provided a electronic score of underwater sounds. The wash of strings and woodwinds, punctuated by rumblings, whistlings and knocks, satisfyingly imitates the sea's restless calm.

If Cunningham's dancers seem comfortable moving within a circular space, that is because in essence they always do. Cunningham's technique is designed to train the body to move with equal energy in all directions, including the motion of the limbs and torso around the body's central axis. This unique dimension is the fundamental means by which Cunningham has opened up the stage as a field of radiant energy and choreographic possibility.

In making the leap to circularity Cunningham has given himself a new world of formal problems, which one can see him explore. Sequences travel in arcs, shifting one's angle of vision at every moment. One such sequence is the second of four duets for Frédéric Gafner and Kimberly Bartosik. Frankly romantic amidst the vast, impersonal coolness, these duets constitute the human heart of the work. Here, the two walk a chain of little steps in perfect unison, he a paper's-width behind her, breaking their magnetic connection only when he flings himself to the ground and crawls a circle around her feet.

The shape of the stage has enormous consequences for the relative importance of material. In Gafner and Bartosik's final, immensely tender duet, he simply leans against her small body, eyes closed, for three or four sustained poses. Yet this extraordinary interlude takes place at the extreme edge of the space, the dancers facing out. For anyone along that side, the seated figures seem to fill the entire world. For everyone else, they are barely noticed amid the rest of the action.

*Ocean* takes its theme from what is said to have been James Joyce's projected next work. Marsha Skinner's costumes and lighting support the conception to brilliant effect. At one point, the illumination becomes absolutely murky. The dancers, inert now, nearly vanish in their silver-gray outfits. Then, five smaller figures dressed in the colours of tropical fish thread their way through the human coral. The lights blaze bright and hot, and there follows a passage of marvellous fluidity and glamour.

Cunningham's sea is filled with riches, yet the hour and a half is not without its longueurs. One can admire the variety of dancerly excellence – how Glen Rumsey darts and snaps while Cheryl Therrien flows and China Laudisio floats – but even the most beautifully individualised waves tend to look more or less the same. Perhaps it is to be expected that even our most fearless explorer needs time to map out his newest brave world.

# INTERNATIONAL ARTS GUIDE

## ■ AMSTERDAM

**CONCERT**
**Concertgebouw** Tel: 31-20-5730573
● New Mozart Ensemble: with pianist Melvyn Tan perform Mozart's Piano Concerto in E minor, K449 and Piano Concerto in A, K414; 8.15pm; Aug 17

**EXHIBITION**
**Van Gogh Museum** Tel: 31-20-5705200
● Van Gogh drawings, part I: each summer for the next four years the Van Gogh Museum will publish a volume of the catalogue of its collection of Van Gogh drawings. To mark each publication, a summer exhibition will be held. In the course of this four-year period more than 500 sheets will be displayed. The first exhibition in the series is devoted to the period from 1880 to 1883; to Sep 15

## ■ BERLIN

**EXHIBITION**
**Berlinische Galerie – Martin-Gropius-Bau** Tel: 49-30-254860
● Anne Ratkowski – Eine vergessene Künstlerin der Novembergruppe: exhibition devoted to the work of the German painter Anne Ratkowski, a member of the Novembergruppe, a movement of Expressionist artists formed in Berlin in 1918. The display includes still lifes and portraits; to Oct 13

## ■ BREGENZ

**CONCERT**
**Bregenzer Festspiele – Festspiel und Kongresshaus** Tel: 43-5574-4920
● Haffner Trio: perform works by Brahms, Haydn and Kodály; 8pm; Aug 17

## ■ EDINBURGH

**EXHIBITION**
**Scottish National Gallery of Modern Art** Tel: 44-131-5568921
● Alberto Giacometti 1901-1966: the first major exhibition of Giacometti's work in Britain since the retrospective held at the Tate Gallery in 1965. The exhibition comprises 80 sculptures, 30 paintings and a selection of drawings; to Sep 22

## ■ FRANKFURT

**EXHIBITION**
**Deutsches Architekturmuseum** Tel: 49-69-2128471
● Film-Architektur. Set Designs von *Metropolis* bis *Blade Runner*: exhibition of 200 designs, drawings, sketches, paintings and photos giving an overview of 70 years of film architecture. Included are set designs for films such as *Metropolis*, *Mon Oncle*, *Playtime*, *Blade Runner*, *Batman* and *Dick Tracy*; to Sep 8

## ■ LIVERPOOL

**EXHIBITION**
**Tate Gallery Liverpool** Tel: 44-151-7093223
● Wandering About in the Future. New Tate Acquisitions: this collection display takes its title from one of the exhibited works: Cathy de Monchaux's "Wandering About in the Future, Looking Forward in the Past". It is a display of modern art recently acquired, including sculptures, paintings, photography and video. Included in the exhibition are works by Gerhard Richter, Calum Innes, Bruce Nauman, Georg Baselitz, Juan Muñoz, Robert Gober, Cindy Sherman, Louise Bourgeois and Miroslaw Balka; to Oct 13

## ■ LONDON

**CONCERT**
**Royal Albert Hall** Tel: 44-171-5898212
● Oslo Philharmonic Orchestra: with conductor Maris Jansons perform works by Rossini, Grieg and Mahler. Part of the BBC Henry Wood Promenade Concerts (Proms); 7.30pm; Aug 18

**EXHIBITION**
**Queens Gallery** Tel: 44-171-9304832
● Leonardo da Vinci: One Hundred Drawings from the Collection of Her Majesty The Queen: this exhibition includes preparatory sketches for paintings such as the "Adoration of the Magi" and the "Last Supper", designs for equestrian monuments, war machines and costumes for court entertainment. Next to these sketches this exhibition features studies relating to his enduring interest in water, flight and his studies in anatomy; to Jan 12
**Victoria & Albert Museum** Tel: 44-171-9388500
● 20 Unknown Constables: exhibition of drawings and watercolours by John Constable which have never previously been shown in public. The display includes a copy after an early Italian fresco and the earliest known drawing by Constable from a sketchbook dating from 1796; to Oct 27

## ■ LOS ANGELES

**EXHIBITION**
**Los Angeles County Museum of Art** Tel: 1-213-857-6000
● The White House Collection of American Crafts: exhibition featuring works by 72 craft artists working in the media of glass, wood, clay, fibre and metals; to Sep 29

## ■ LUCERNE

**CONCERT**
**Kunsthaus Luzern** Tel: 41-41-2103562
● Gustav Mahler Jugendorchester: with conductor Ivan Fischer and cellist Natalia Gutman perform works by Dvořák and Mahler. Part of the Internationale Musikfestwochen Luzern; 7.30pm; Aug 19

## ■ MADRID

**EXHIBITION**
**Fundación Cultural Mapfre Vida** Tel: 34-1-5811628
● 50 Años de Fotografía Española en la Colección de la Real Sociedad Fotográfica (1900-1950): exhibition giving an overview of Spanish photography in the first half of this century. Included are photographs by Antonio Cánovas del Castillo Vallejo, also known as Kaulak, Carlos Iñigo, Antonio Portela, Willy Koch, Pla Janini and others; to Sep 29

## ■ NEW YORK

**CONCERT**
**Avery Fisher Hall** Tel: 1-212-875-5030
● I Solisti Veneti: with conductor Claudio Scimone perform works by Vivaldi, Pergolesi, Pasculli and Bottesini. Part of the Mostly Mozart Festival; 8pm; Aug 19

**EXHIBITION**
**Whitney Museum of American Art** Tel: 1-212-570-3600
● NYNY: City of Ambition: exhibition of works by 20th century artists inspired by New York City. The display brings together paintings, photographs and films from the museum's collection and other sources to represent a wide range of artists' views on the city that has become a symbol of the modern metropolis; to Oct 27

## ■ TEL AVIV

**EXHIBITION**
**Tel Aviv Museum of Art** Tel: 972-3-6957361
● "New Horizons": Sculpture: exhibition focusing on the work of sculptors participating in the Israeli art movement "New Horizons" (1948-1963). Artists represented include Kosso Eloul, Itzhak Danzinger, Dov Feigin, Ruth Zarfati-Sternschuss, Moshe Sternschuss and Yehiel Shemi; to Aug 31

## ■ WASHINGTON

**EXHIBITION**
**National Gallery of Art** Tel: 1-202-7374215
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COMMENT & ANALYSIS

# French midsummer storm

## The franc's fall has intensified the row over the central bank's role, says Andrew Jack

Mr Alain Juppé, the French prime minister, last year scornfully referred to financial market traders as "the gnomes of London". But two days ago – after two weeks during which the franc had depreciated by up to 3 centimes against the D-Mark – he felt obliged to make a robust response to rumours in the foreign exchange markets and publicly defend the French currency.

He interrupted his August holiday deep in the south west of France to dismiss recent pressure on the franc as "a storm in a teacup". During a trip to the capital on Wednesday lasting just a few hours, he rejected suggestions that there was any rift between his cabinet and the Bank of France.

It was the latest move in a series of machinations involving politicians and senior officials who are arguing over the role of the central bank in monetary policy against a backdrop of the struggling French economy.

In public, the centre-right Gaullist government stresses its confidence in the central bank, which was given autonomy from the nation's politicians and the task of determining monetary policy under a special law passed in 1993.

In private, it is clearly frustrated that the institution is proving far more independent in its decisions on interest rates than the ruling party – or many outside observers – had expected.

"It is just not in the Gaullist tradition to accept alternative power centres," says Mr Jean-François Mercier, economist with Salomon Brothers. He recalls the frustration of General de Gaulle himself when faced with any opposition – whether from the French senate, critical journalists or his European Community partners.

Mr Philippe Briand, a member of the National Assembly and fellow member of Mr Juppé's RPR party, put it rather more strongly this week: "There are laws for which you regret having voted, which give you a stomach ache. The law . . . which gave the Bank of France its independence is one of them."

The roots of the conflict between the government and the Bank of France can be traced to July 14 this year, when Mr Jacques Chirac, the president, gave a television interview in which he made no effort to hide his irritation.

Discussing the heavy losses incurred by the banks Crédit Lyonnais and Crédit Foncier, both now subject to costly state-backed restructuring plans, he said the supervision provided by the Treasury and the Bank of France "was not well-exercised".

The reference was widely interpreted as a direct attack on Mr Jean-Claude Trichet, who was head of the Treasury from 1987 until his nomination in 1993 as governor of the Bank of France – a role which he can continue to exercise theoretically free of government interference until his contract expires in 1999.

Tensions were exacerbated last week, when Mr Jean Arthuis, minister of economics and finance, said he had formally requested the Ministry of Justice to consider whether criminal action could be brought against those at the most senior levels responsible for the past mismanagement of Crédit Lyonnais.

Encouraged by discreet nods and winks from politicians and officials, the French press widely interpreted this as another attempt to embarrass Mr Trichet. It took nearly a week for Mr Arthuis to say in an interview in Paris Match magazine that the governor of the Bank of France was "not at all" a target in the investigations, which would concentrate on main board directors of Crédit Lyonnais.

> 'There are laws for which you regret having voted. The law which gave the Bank of France its independence is one of them'

Some suggest there is personal animosity behind the assaults. Ironically, it was Mr Chirac, then prime minister, who nominated Mr Trichet to head the Treasury in 1987. At the time Mr Trichet was head of the private office of Mr Edouard Balladur, then minister of economics. And Mr Balladur was prime minister when Mr Trichet was appointed to head the Bank of France in 1993.

Since then, relations have deteriorated sharply between Mr Chirac and Mr Balladur, his fellow Gaullist party politician who broke a tacit accord at the start of last year when he decided to run against him in the country's presidential election race – and lost.

Mr Trichet suffered by association, if only because he could usefully be targeted as a scapegoat for France's economic troubles. During the election campaign in the spring of 1995, Mr Chirac helped depress the franc when he suggested that the Bank of France was too independent.

It is this issue which continues to serve as the basis for the frustrations now being expressed by a growing number of politicians, while Crédit Lyonnais is largely a convenient topical pretext for applying additional pressure to Mr Trichet.

Mr Chirac returned to the underlying theme of the Bank of France's role in his July 14 television address. "Interest rates are clearly too high," he said. "There is significant scope for reduction."

The Bank of France points out that interest rates are at their lowest levels for 20 years. It stresses that its cautious approach is the only way to control inflation and create the necessary conditions for sustainable economic growth and monetary union.

But many economists and bankers share Mr Chirac's view. In private, the government makes no secret of its frustration both at the Bank's rates and its policy of progressive small cuts rather than any bold reduction.

The critics come from all political backgrounds. Mr Marc Blondel, head of Force Ouvrière, the public-sector union which helped organise the industrial action which paralysed the country late last year, said recently: "If the Bank of France, if the financiers, create the laws, what value does the vote of the French have? We have given a mandate to people who say they do not have any margin to manoeuvre. That cannot last."

There is little doubt that during a climate of uncertainty, and while trading is thin during the mid-August holiday period, criticism of Mr Trichet and the tensions with the government have helped depress the franc.

But Mr Mercier of Salomon Brothers argues that the markets are primarily responding to the more serious underlying questions of France's sluggish economic growth, the ability of the government to maintain its spending reduction targets, and fears of renewed social unrest this autumn.

Mr Trichet serves as a useful whipping-boy for a government keen to divert attention from its own slow pace of reform and the unpopular nature of its policies.

Meanwhile, the governor is apparently unconcerned by the latest polemic. He saw no need to follow Mr Juppé's lead in returning to Paris to calm the storm. He remains on holiday enjoying the coastal breezes in St Malo.



# LETTERS TO THE EDITOR

Number One, Southwark Bridge, London SE1 9HL

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## Concern at time limit for tax claims

*From Mr Peter Agar.*

Sir, Confederation of British Industry members share the concerns raised in your article ("Tax claim time limit comes under fire", August 6). The proposal to introduce a three-year time limit on businesses reclaiming overpaid VAT will have serious consequences for business, especially as Customs & Excise will still be allowed to recover VAT for up to six years. The consultation document and draft clauses, which Customs & Excise issued on August 7, has reinforced these concerns.

Recent cuts in Customs & Excise staffing levels will result in small and medium-sized businesses being audited less frequently. If Customs & Excise discover and assess a systematic error going back over six years a business could face a crippling tax demand. As a result, small- and medium-sized businesses could be financially penalised and competitively disadvantaged.

A business disputing a VAT assessment has to pay the full amount in dispute before taking the case to court. On the basis of the draft clauses, were an appeal to extend beyond three years, a business which wins its appeal may have no absolute right to recover its funds.

Any repayment could depend on the discretion of the tribunals and courts. This surely cannot be a basis on which to legislate.

The proposals make no mention of transitional arrangements to mitigate the worst effects of this retrospective legislation. As they stand the proposals will affect disputes in appeal and already agreed VAT repayments going back beyond the three-year time limit. This is totally contrary to the spirit of the government's Taxpayers' Charter.

The issues merit a wide-ranging public debate.

**Peter Agar,**
**deputy director-general,**
**CBI,**
**Centre Point,**
**103 New Oxford Street,**
**London WC1A 1DU, UK**

## Tobacco sales

*From Mr Paul Mason.*

Sir, The reason that independent retailers of tobacco are suffering sales losses ("Retailers cheered by sales growth", August 9) is that excessively high UK tobacco tax encourages people to smuggle cheaper duty-paid tobacco from the continent to the UK for illegal resale. Evidence suggests that tobacco smuggling is not a small-scale business.

Research from the Tobacco Alliance last year indicated that independent retailers of tobacco were losing a total of £2.1bn every year in sales, with the government losing £1.6bn excise revenue.

Under these circumstances, it is no wonder that tobacco retailers are not reporting a growth in sales. The only way to help retailers reclaim lost sales, and the Treasury to reclaim lost revenue, is for the chancellor of the exchequer to freeze tobacco tax in the Budget.

**Paul Mason,**
**national spokesman,**
**Tobacco Alliance,**
**Haymarket House,**
**28/29 Haymarket,**
**London SW1Y 4SP, UK**

## Turkey's conclusions

*From Mr Osman Streater.*

Sir, Mr Evangelou, who has somewhat emotional views on the recent events in Cyprus (Letters, August 14), may like to know that four broad and rather more rational conclusions have been drawn in Turkey.

First, the Greek Cypriot government is not interested in a solution. A government that allows such an irresponsible crossing of the border cannot be a government that is also responsibly keen to pursue negotiations.

Second, the United Nations cannot be relied upon. As a token presence, fine; but when the going gets remotely rough the UN will get pushed aside.

Third, the presence of the Turkish army in Cyprus is vital for the protection of Turkish Cypriot citizens.

Fourth, the continued separation of the two ethnic groups is a force for peace.

The British presence in Cyprus from 1878 to 1960 isolated the Greeks and Turks of Cyprus from the centrifugal force of nationalism. But it is time to stop pretending that there is any such entity as the Cypriot nation.

**Osman Streater,**
**Savile Club,**
**69 Brook Street,**
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## Developing countries' debt repayments

*From Mr Kevin Watkins.*

Sir, For an advocate of "real world" solutions to the problem of poor country debt, Karl Ziegler (Letters, August 13) shows a curious detachment from reality, especially as it relates to poor people.

This year the world's poorest countries will transfer to their creditors about $12bn in debt repayments. Simply stated, these transfers are beyond the fiscal and export capacities of the countries concerned, absorbing more than one quarter of their export earnings. Unsustainable debt profiles are also a deterrent to domestic and foreign investment.

Less widely appreciated is the impact of debt on people. Public spending on external debt servicing dwarfs social spending in many of the world's poorest countries, reinforcing poverty and deprivation.

In Uganda, where one child in five does not live to see its fifth birthday because of largely preventable diseases, the government spends three times more on debt repayments than on health.

There is now a real opportunity to end such intolerable circumstances. Under a framework developed by the World Bank, and supported by the US and UK governments, a ceiling would be set on debt repayments from countries which adhere to adjustment programmes releasing resources for investment in social and economic recovery. Advocates for developing countries' poverty reduction should be supporting the adoption of this framework, which is being obstructed by the combined opposition of the International Monetary Fund, Germany and Japan.

None of which is to suggest that we are unaware of the problems created by corrupt and unaccountable governments. Like Mr Ziegler, we would support efforts to recover, and use for debt relief purposes, funds stolen by developing countries' leaders. Unlike him, however, we do not believe that action on debt can await the creation and deployment of accountants, bankers and lawyers charged with recovering these funds and cleaning up Africa.

Surely what is needed is action to ensure that the benefits of debt relief are transferred to the poor.

**Kevin Watkins,**
**senior policy adviser,**
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**274 Banbury Road,**
**Oxford OX2 7DZ, UK**

## Burma and Asean

*From Ms Patricia Wilkinson.*

Sir, Regarding your article "Malaysia lifts Burma's bid to join Asean" (August 14) I am amazed at Dr Mahathir Mohamad's short memory.

It was only some three years ago that he severed all communication with Burma because of the military regime's persecution of the Rohingyas, a tribe of Burmese Moslems living on the Arakanese coast. The Rohingyas are still suffering from the atrocities committed against them: they will neither forget nor forgive.

**Patricia Wilkinson,**
**Bell Cottage,**
**Sutton Benger,**
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Europa • Michael Stürmer

# Resist the melting pot

## An integrated Europe should seek to preserve the diversity of its constituent nations

De Gaulle: conflicts were the Thirty Years war of our age

Europe's strength is in its diversity. An English police officer, a German mechanic, a French cook and an Italian lover – this is how Europeans would like their Europe to be. "E pluribus unum" is an American ideal, the melting pot. The European idea is rather "cuique suum" – in other words, to give unto Brussels no more than necessary.

Europe-builders should therefore pause before trying, once again, to square the circle and push for political integration. Much as in the past, today's Europeans are united in loving their differences more than their unity.

Throughout the ages, Europe could never be brought together by hegemony but only through balance, which rests on the recognition of difference. European integration is a matter of the mind, while national identity – whether expressed in the union flag, the D-Mark or the memory of Poland's sufferings – is one of the heart.

It should not be overlooked, in this time of globalisation and agonising economic adaptation across Europe, that the welfare state is still a fortress of nationhood. National governments are rejected or re-elected according to their performance in providing comfort and confidence. National welfare systems suffer from adverse demographic conditions in ageing populations throughout Europe. While Europe is being constructed and reconstructed it is not so much the Brussels administration that is at stake but the survival of our democracies.

Instead of fine-tuning the unity machine, it may be useful to go back to basics and ask: what is so European about the Europeans?

The answers range through history, geography and economics to the climate, the Roman law tradition, the crusades, the Renaissance, the Enlightenment and the industrial revolution. Even the first and second world wars, seen in a long perspective, now tend to be interpreted like the most dramatic episode of a long European civil war – as General de Gaulle put it in 1944, the Thirty Years war of our age. Most of all, four decades of the cold war, when Europe was divided between the Soviet empire and the American-led Atlantic alliance, contributed to the acceptance of a common destiny.

The end of the cold war, however, far from bringing a plentiful European harvest, saw Europe deeply disoriented over its destiny, form and role in the world. The western part tried to redefine its internal balance, but could find agreement only in striving towards an ever more integrated market. The poor eastern relations were uneasily invited to join the party, please, but not too soon.

While the Maastricht treaty's Part One rests on the assumption that economic interests, and above all the common currency of the future, will force European countries together, the meandering formulas of Maastricht's Part Two on political union should make everybody hedge their bets. When it comes to European defence, the bottom line is still Nato.

Europe is, as Thomas Mann wrote about his native town of Lübeck, above all "geistige Lebensform" – a spiritual concept. It implies essentially the notion of balance more than the notion of unity, let alone hegemony. Without a threat from outside – which is unlikely to emerge overnight – Europe will probably continue to integrate and merge its economic, technological and financial energies over time. But to translate the very variable geometries of Europe into an overall political structure resembling a state would, now and for the foreseeable future, not bring the desired results but endanger even the less ambitious objectives.

There remains within this broader European dilemma a specific German one arising from the country's share of Europe's economy and population – the country accounts for about 30 per cent of the EU's GDP. In a federal Europe or in the Europe of nation states, most of Germany's neighbours fear that it is in Germany's Europe that they will have to live, not their own. The Germans, meanwhile, do not wish to lose their European dream because they are less sure than most of the others about their national dream.

The great American vision has been to forge one continental nation. For the Europeans from Oslo to Palermo and from Bristol to Brest, let alone to the Urals, this would be a nightmare.

European reality is, at best, unity in diversity. This is the charm of Europe, but also its predicament. As the prevailing state of mind is not likely to change through political preaching, treaty language or even the exigencies of a common currency, if Europe is to advance much beyond economic integration it will require more the skills of the gardener than those of the engineer, favourable weather conditions, and plenty of time.

Europe-builders will have to blend their grand visions with a sense of time and history. They will also have to practise some rare political virtues – modesty, self-restraint, and a sense of proportion.

*Michael Stürmer is director of Stiftung Wissenschaft und Politik, a German foreign affairs and defence policy institute.*

COMMENT & ANALYSIS

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# A conflict left to fester

In all the negotiations in the former Yugoslavia over the last four or five years, the "Cyprus model" has loomed large. It stands for two things: the forcible redistribution of a formerly mixed population into separate, ethnically homogeneous territorial units; and the policing of the resulting boundary by international peacekeepers.

That is what happened in Cyprus in and after 1974. It is sullenly resented by Greek Cypriots, who see it as consolidating and perpetuating their defeat; and consequently feared by losers in other conflicts. President Tudjman of Croatia tried unsuccessfully to resist it at the end of 1991, but thereafter built up a military option which enabled him, a year ago, to sweep away the separate Serb entity on Croatian soil.

Victors are correspondingly prone to vaunt the virtues of the model; indeed, to present it as a "solution". That has been the essence of the Turkish view of Cyprus since 1974: by separating two mutually antagonistic populations, say the Turks, the 1974 intervention removed the main cause of conflict on the island. Any remaining problems result from the international community's perverse refusal to recognise this.

Until this week, that Turkish view had one very strong argument to support it: the simple fact that no one was getting killed. But a longer view of history suggests it is always unwise for one side to regard a conflict as solved simply because the other is for the time being too weak to contest the outcome. That in fact was the mistake the Greek Cypriots made *before* 1974, as the Croatian Serbs did before 1995.

If the Turks are now in danger of making the same mistake, it is not because they are vulnerable to a military blitzkrieg. No Turkish government is likely to abandon the Turkish Cypriots as President Milosevic of Serbia did the Croatian Serbs. It is therefore very foolish of President Clerides, the Greek Cypriot leader, to risk provoking them by an arms build-up; as it was foolish of the young Greek Cypriots who tragically lost their lives this week to mount a symbolic challenge to the Turks' physical control of the north of the island. On the level of brute force, the Turks are always likely to win.

But Turkey's position is getting weaker economically and diplomatically, as was demonstrated last year when Greece secured a commitment to open negotiations on EU membership for Cyprus in return for consenting to a mere customs union between the EU and Turkey. The Turks would be well advised to seek a Cyprus settlement now, while they are still on balance the stronger party.

# Inactive UK

The UK labour market data released this week left many concluding that the Conservatives were victims of their own success. The headline unemployment total fell to 2,126,200 in July, the lowest figure in five years. At the same time average earnings were found to have grown a little faster than expected in the year to June. Ergo, it was said, the government's very success in fostering job growth has increased the chance that it will have to raise interest rates in the run up to an election.

Would that the recent unemployment numbers were so easy to decipher. Changes in the official jobless total have always been an imperfect guide to trends in the labour market as a whole. But one wonders these days whether they tell us anything – either about movements in employment or about the state of overall demand.

The number of people without work and claiming benefits has fallen by about 420,000 since the trough of the recession in spring 1992. Many people worry about the quality of the job growth that has accompanied this unusually early decline in joblessness. A large share of recently created jobs have been part time, poorly paid or otherwise "insecure". But the small quantity of new jobs ought to be equally disturbing.

The precise number of people in work is hotly disputed, but most estimates suggest that the employed workforce was marginally – perhaps 10,000 – *smaller* in the spring of this year than four years earlier. Almost the entire decline in official unemployment since the recovery began is explained by a rise in the ranks of the "economically inactive".

This rise in the number of working age people who are neither in work nor actively searching for a job raises several important issues. One is whether the government's labour market reforms have actually succeeded in making it easier for people to find work, as opposed to merely forcing people to drop out of the workforce altogether. A large share of the rise in inactivity has been due to a welcome rise in the number of young people in full-time education. But much of the rest is due to "early retirement" by middle-aged men.

It is difficult to know precisely why so many people decided to drop out – or what, if anything, would induce them formally to rejoin the workforce. Yet one needs an answer to both these questions if one is to get a true picture of UK unemployment, or the chances of a revival in wage pressures in the months ahead.

There are several reasons why Chancellor Kenneth Clarke may have to consider increasing interest rates during the second half of the year. An upturn in wage growth might be one of them. But an excessive rate of employment will not.

# On their metal

The Securities and Investments Board yesterday moved into the second phase of its investigation into the London Metal Exchange with a paper identifying some 11 broad topics on which it is canvassing views.

This investigation, started at the request of the LME, follows the Sumitomo Corporation's $1.8bn loss in extended copper trading, amid accusations that it had been trying to squeeze the market.

The LME had been aware of some of the Japanese company's activities, but had been powerless to curb them, despite private warnings. This has given ammunition to critics in the US, where copper trading on Comex has been eclipsed by the global success of the LME.

Criticisms have centred mainly on two questions: first, whether the LME's system of delayed settlement should be replaced by the daily cash settlement system used on other exchanges; and second, whether the customers, on whose behalf trading is done, should be registered with the exchange, as is the practice in the US.

Despite these criticisms, there is little doubt that, within its existing rules, the LME has conducted itself creditably during the Sumitomo debacle. There has been no default, and little evidence that the market has suffered, except from upward pressure on prices.

Since Sumitomo's copper trading was largely with third parties outside the LME, the authorities' central dilemma is how to prevent market manipulation in trading not controlled by the exchange. There has so far been little serious criticism of the way in which LME trading itself was conducted, either in the Ring where prices of each metal are set by open outcry four times a day or in bilateral trading which is usually done by telephone.

Although the SIB is asking for detailed comments on all aspects of trading and settlement, and detailed improvements will no doubt be considered, it may well find that the exchange itself is generally efficient. A case certainly can be made for improving the transparency of pricing in all aspects of copper trading, but the SIB is rightly anxious to ensure that specific benefits are justified by the extra costs. The bigger task is to prevent big traders from squeezing the market, without making rules which are so intrusive that they threaten the exchange's success.

Changing the basis of settlement is unlikely to make much contribution to this. The best hope for preventing a re-run of the Sumitomo saga would be to require customers to register with the LME and to improve information about pricing wherever this is feasible.

Long road to reform: while Russian soldiers seek to retain control of Grozny the army leadership in Moscow faces a shake-up to eradicate corruption and incompetence

# To salvage an army's honour

## The humiliating Chechen war has highlighted Russia's need to rebuild its army as a modern fighting force, says John Thornhill

In peacetime, the green hills of northern Chechnya appear pleasant enough – rather like a threadbare version of the English county of Kent. Over the past 20 months this gentle land – and the more ominous rubble-strewn streets of the regional capital of Grozny – has become a graveyard for the Russian army's reputation as a mighty offensive force.

The apparent ease with which the Chechen separatists launched a raid on Grozny last week, killing hundreds of federal troops, has only rammed the point home with terrible force.

Russian commentators have called the humiliation a "second Tsushima", referring to the shock defeat of 1905 when the Russian imperial navy sailed halfway round the world to be crushed by the Japanese.

Throughout Russian history, such military setbacks have sparked demands for change. And, not surprisingly, there are calls today for a complete overhaul of the armed forces, which will inevitably have far-reaching political and social effects.

How successfully the country tackles the task of reshaping its 1.7m-strong conscript army into a modern force will not only influence the character of post-Soviet society but will also affect the international balance of power into the next century.

During the initial stages of the Chechen conflict, Russia's top brass preferred to ignore the embarrassing truth about the performance of their troops on the ground, simply pleading for more money to complete the job.

General Pavel Grachev, Russia's former defence minister, maintained the pretence of invincibility long after his forces' vulnerability had been exposed.

The thick-necked paratrooper, who boasted that just one of his regiments could seize Grozny in two hours, later claimed his soldiers were dying "with smiles on their faces". He dismissed his critics as "vile little toads".

But following Gen Grachev's sacking in June, there has been a revolution in thinking in the defence ministry. The army's fiercest critics now inhabit the most senior levels of the establishment and are calling for radical steps to salvage military pride.

On Monday, Mr Alexander Lebed, a former general appointed as Russia's national security adviser two months ago, launched a withering attack on the state of the armed forces in Chechnya after making a lightning visit to the region.

Clearly horrified by what he had seen, the former general described an army of "hungry, lice-ridden, and underclothed weaklings" in a worse condition than the Russian partisans who fought the Nazis in the second world war. He directly accused senior officers of corruption and highlighted a complete lack of co-ordination between the army and interior ministry troops.

Mr Lebed's comments were shocking enough to Russian ears, but they were soon echoed by General Igor Rodionov, a friend of Mr Lebed who was last month appointed defence minister.

In an interview in the Moskovskie Novosti newspaper, Gen Rodionov, the former head of the general staff academy, said the Russian army was experiencing its worst crisis since the 1920s and did not have a single regiment capable of launching a combat action at short notice.

He called for an end to the army's culture of "collective irresponsibility" and said it must start living within its means. He suggested that scarce resources should be targeted at research and development and that the army be cut to just 12 well-financed divisions, compared with the 140 motorised rifle and tank divisions of the Soviet army five years ago. Accurate information about the present size and cost of the army is hard to come by, but the International Institute for Strategic Studies estimates this year's defence budget at $76bn on a purchasing power parity basis.

Some observers may suspect the incoming ministers of damning their predecessors to lobby for more resources. And apologists for the Russian army can make some telling points. They argue that the Soviet army was never as strong as perceived by the west at the height of the cold war – and that it is not as weak as it seems today.

It is true that the Chechen separatists would have been a match for even the most sophisticated armies. Fired by a fierce sense of national identity, the Chechens have proved fearsome opponents and been led by commanders intimate with Russian army tactics after serving in Afghanistan.

Moreover, the Russian army, which has been savaged by budget cuts, was never designed to fight such wars. Soviet military doctrine built an army to sweep to the English Channel within days rather than to fight prolonged wars.

Nonetheless, the manifest failures of the Russian armed forces at almost every level cannot be disguised and there is a growing political imperative in Moscow to take action.

President Boris Yeltsin has already promised to end conscription by the end of his term in the year 2000; Mr Lebed will want to make that a reality given his own ambitions to succeed the incumbent president.

Military experts suggest the first place for Mr Lebed and Gen Rodionov to start would be to devise a new post-cold war military doctrine for Russia. One Moscow-based military expert suggests it will be difficult to strike a balance between guaranteeing Russia's strategic defence needs and creating a force capable of responding to local emergencies.

"The Soviet army was configured for all-out war and cannot cope with a low-intensity conflict. But it would be absurd for them to fall into the trap of building a model based just on their experience in Chechnya and Afghanistan," he says.

The second task will be to re-establish the credibility of the general staff, which has been shaken both by the conduct of the Chechen war and widespread and seemingly well-founded allegations of corruption.

Gen Lev Rokhlin, chairman of the parliamentary defence committee, has compiled a thick dossier of allegations against senior figures in the defence ministry. It is certainly not obvious how so many of Russia's generals could afford to build lavish country dachas which cost more than they earn in a lifetime.

The third challenge will be to restore the professionalism of the regular armed forces and their standing in society. This inevitably means a more professional approach to managing its budget, ensuring that troops are paid on time and properly fed and equipped. The Russian army will have to acquire learn new cost-management skills, entirely alien to it in the Soviet era when it received whatever it demanded.

"Every Russian citizen pays for the upkeep of the army, and the taxpayer should know how his money is spent," says Gen Rodionov.

Mr John Erickson, professor of defence studies at Edinburgh University and long-time student of the Russian army, suggests that Gen Rodionov has developed his thinking over many years at the general staff academy and already has a blueprint for action.

"What happened under Grachev was a travesty of military performance and professionalism. But Lebed has already begun clearing out some of the corrupt and incompetent leading echelons in the armed forces," he says.

"Rodionov will now have to cut out the 'metal-eaters' who want more guns and more tanks and introduce a more competent command and control function with better information technology."

But the challenge is immense and, most military experts predict, could take a decade to fulfil.

Mr Lebed must first resolve the Chechen conflict, which will otherwise be a perpetual drain on the armed forces' materials, morale and finances.

Meanwhile, he will have to fight his corner in the Kremlin, a task he memorably described this week as like "swimming in hydrochloric acid with both your legs chopped off".

And there will be continual external political pressures on the two generals to justify their share of government spending. Mr Sergei Yushenkov, a Russian parliamentary deputy, argues the armed forces should be run by a civilian defence minister who would introduce greater transparency and accountability.

"The Russian army takes one-fifth of the federal budget and we have no idea how it is spent," he says.

For Russia's long-suffering neighbours, the country's military weaknesses are perhaps a matter of some private satisfaction but not a little concern. The prospect of an irresponsible and irresponsive military power, with loose control over its nuclear arsenal, lurching from crisis to crisis is a disturbing one.

Rather than fretting about the resurgence of Russian military power in the years ahead, western policymakers are more likely to worry about the dangers of the Russian army's increasingly evident weaknesses.

# · OBSERVER ·

## Linguistic leadership

■ India's new prime minister, H.D. Deve Gowda, yesterday did a fairly remarkable thing in delivering his first Independence Day speech.

He spoke in Hindi, the language of India's ruling elite and the most widely spoken of India's 14 official languages. But it's a language Deve Gowda, a Kannada-speaker from Karnataka in the south, barely knew a word of a couple of months ago.

To plug this gap the PM has been through an intense period of study, taking lessons from Hindi language scholar Brij Mohan Misra. That's on top of the 16-hour days Deve Gowda has been putting in since taking office.

There was of course a strongly rehearsed quality to the speech, which was broadcast live on television. The speech was first written in English, translated into Hindi and then into the Kannada script, which the prime minister recited in Hindi. It was the first time an Indian prime minister had made the speech from a prepared text.

"I will try to speak in Hindi. Give me time," Deve Gowda told his audience, mindful of the heavy expectation from a Hindi-speaking crowd as much interested in *how* he spoke as in what he had to say.

And the result? According to those who listened, while not exactly silvery-tongued, it was certainly passable. And it meant that he fulfilled one of his first promises after becoming prime minister in May: to make the traditional Independence Day speech in Hindi.

## Advertising bug

■ A cautionary tale. At the beginning of July the Guatemalan subsidiary of Bayer, Germany's giant chemicals group, ran an advertisement in *La Prensa Libre*, a local newspaper, on behalf of Baygon, Bayer's best-selling insect spray. The main slogan was: *La muerte súbita es una especialidad Alemana*. Which in English transforms into: "Sudden death is a German speciality."

Alongside the advertisement were pictures of Germany's footballers, winners of the European football championships following their 'sudden death' goal victory against the Czech Republic.

The follow-up caption of the Guatemalan ad attempted to make the reference clear: "When it comes to football and insecticides Germans are specialists at destroying their opponents in one go."

The ad has now met its own sudden death. A couple of telephone calls from offended readers gave it the *coup de grâce*. Bayer have been apologising left, right and centre, explaining that the locally-generated ad had not been approved by the German in charge of the local subsidiary.

Puts a whole new spin on the ad industry's favourite catch-phrase – 'think global, execute local'.

## Cork screwing

■ Upon withdrawing his party from the now six-party coalition Thai government, Palang Dharma leader Thaksin Shinawatra sent Prime Minister Banharn Silpa-archa a gift with which to drown his sorrows: a bottle of wine, a 1978 Romanée-Conti, valued at a modest $6,000 or thereabouts.

The prime minister may not have been terribly pleased. He recently suggested that wealthy Thais – billionaire Thaksin among them, presumably – help reduce the country's current account deficit by drinking $20 wine instead of bottles costing $2,000.

Yet perhaps there was a different sort of message in the bottle. Thaksin served six of the same at a recent parliamentary drinking session attended by justice minister Chalerm Yoobamrung. Upon leaving the party, Chalerm alleged that bribery was involved in the awarding of three new banking licences, allegations that are party to blame for Palang Dharma's pull out.

Thailand's tabloid press are now *doorstepping* Banharn's house – probably waiting to hear the distinctive pop of a $6,000 cork.

## Penalty points

■ There's nothing quite like the Amsterdam Arena, Europe's most modern sports stadium, which opened on Wednesday night.

It has a sliding roof, a car park beneath the pitch, 51,000 seats, and houses one of the most famous names in football, Ajax Amsterdam. Locals may carp that the stadium looks like an advanced UFO, but it's even been credited with drawing multinational businesses to locate around it.

So there was a festive mood on Wednesday when the Netherlands' Queen Beatrix opened the ground, joined in a Mexican wave, and then settled down to watch Ajax play AC Milan.

At which point things started to go wrong. Milan thrashed the hosts 3-0, and a few hours later much of Ajax's old stadium burned down. The defeat was Ajax's fourth in a row, by the way.

## The Financial Times

### 100 years ago

**Advertisement**
Madame Tussaud's Exhibition
Baker Street Station - trains and omnibuses from all parts.
Grand Historical Tableaux representing the announcement to Her Majesty Queen Victoria of her accession to the throne, &c., &c.,
Portrait model of his Excellency Li Hung Chang
Cricketing Celebrities – Dr W.G. Grace and A.R. Stoddart, Esq.
The Transvaal Crisis - Dr. Jameson, Mr Rhodes and President Kruger,
The Matabele Rising - Figure of Matabele Chief in Native Costume.
The Celebrated Roumanian Orchestra.
Performances every Afternoon and Evening.

### 50 years ago

**International Oil Body Planned**
According to a Journal of Commerce despatch from Washington, the United States and Great Britain are planning to hold talks this autumn with a view to planning a world oil agreement and an international oil body under the United Nations organisation. Action this autumn is planned in order that the Anglo-American oil pact may be presented for Senate ratification early in 1947, Reuter.

FINANCIAL TIMES
Friday August 16 1996



Touche Ross and UBS unit face civil action

# Jersey fraud charge after currency loss

By Philip Jeune in Jersey and Clay Harris in London

A British man has been charged with fraud in Jersey in a case linked to foreign exchange trading losses of $26.7m allegedly incurred by 90 international clients of Swiss-based investment managers.

The criminal charges in Jersey's Magistrate's Court are linked to a civil action which claims that Touche Ross, the UK accountancy firm, and a Channel Islands subsidiary of Union Bank of Switzerland are liable for the trading losses.

Mr Robert John Young, 42, was arrested in Nottingham and taken to Jersey in police custody. He denies charges of falsifying profit figures and concealing losses on funds placed under his control.

It is understood that the Jersey Fraud Squad decided to proceed with the arrest when it heard that Mr Young was planning to travel to Dubai.

The Jersey authority responsible for regulating financial services on the island also faces a legal challenge based on its alleged failure to investigate Mr Young after receiving a complaint in 1994.

The plaintiffs in the civil action – a trio of companies based in Switzerland, Liberia and Panama – allege that Cantrade Private Bank Switzerland (CI), a subsidiary of UBS, "shut its eyes" to the losses and failed to warn their clients. They also accused Cantrade of "fraudulent trading".

They claim that Touche Ross, through a now retired partner, Mr Alfred Williams, audited the trading figures and failed to check accurately the profits being claimed by Mr Young. Cantrade and Touche Ross deny the allegations.

A second action, brought against Jersey's Finance and Economics Committee, seeks a judicial review of its decision in 1994 not to undertake an investigation into the trading activities. The plaintiffs' lawyer, Philip Sinel, sent the committee a strongly worded complaint about Cantrade in August 1994, calling on the committee to carry out a full investigation.

The committee said it did not believe there were grounds for investigation. Mr Michael Marsh, director of one of the plaintiff companies, wrote a letter in November 1994 which said $25m had "vanished into thin air". He said Mr Young was Cantrade's agent and that the bank had paid secret commissions to Mr Young.

UBS said last night Mr Young had never been employed by the group. It described him as an independent asset manager who had had a business relationship with Cantrade.

It is understood that the committee has since said it will reconsider its decision not to carry out a investigation.

Detective Inspector Peter Hopper told the Jersey court on Tuesday that the current charges against Mr Young were likely to be replaced in due course by charges that related to more serious and complex fraud.

Mr Young, who was placed on £10,000 ($15,600) bail, has had to surrender his passport and must report to police three times a week.

*Additional reporting by William Hall in Zurich.*

Dreams of riches, Page 6

# US envoy seeks to heal rift with allies over Cuba

By Nancy Dunne in Washington

The White House will today appoint Mr Stuart Eizenstat, Commerce Department trade undersecretary, as special envoy to the European Union, Canada and other countries whose companies may be hit by US laws aimed at discouraging investment in Cuba.

Mr Eizenstat said yesterday he would seek to work with US allies "to have a more co-ordinated approach to the promotion of democracy in Cuba, in the hope that by doing so we will avoid the trade frictions that have arisen".

Washington's allies, including the EU, Canada and Mexico, have been angered by the passage this year of the Helms-Burton Act, which allows US companies and individuals to file suits in US courts against foreign groups "trafficking" in or profiting from property confiscated after Cuban president Fidel Castro came to power in 1959.

President Bill Clinton last month waived implementation of this provision for at least six months. However, the act also requires the State Department to bar from entering the US executives of companies which "traffic" in confiscated American property in Cuba. The EU has been examining ways of retaliating.

As US ambassador to the EU until recently, Mr Eizenstat is widely seen in Brussels as the best possible candidate to take on the daunting mission of damage control.

The EU has welcomed Mr Clinton's waiver and said it "shares America's desire for reform in Cuba, although it does not believe that threatening sanctions against Washington's trusted allies is the best way to achieve it". It said, however, it would "push for political freedom, human rights and open markets in Cuba".

Mr Eizenstat will defend the sanctions – and separate legislation targeting companies investing in the energy sectors of Iran and Libya – as "exceptions to the rule" by an administration increasingly committed to acting multilaterally on trade. He is to keep his existing job and spend about one-quarter of his time on the Cuban question.

# Belgrade seeks to restore World Bank membership

By Kevin Done, East Europe Correspondent

The Federal Republic of Yugoslavia, which now comprises only Serbia and Montenegro, has launched an intensive effort to normalise its relations with the international financial community.

It is seeking an early restoration of its membership of the International Monetary Fund and the World Bank and has launched parallel negotiations with both the Paris and London Clubs of sovereign and commercial creditors.

Meetings with most groups of creditors are due to take place in September, as Yugoslavia seeks to take early advantage of the momentum created by next month's planned elections in Bosnia and the hoped-for final lifting of UN sanctions.

Belgrade, isolated since 1992 from international capital markets, is seeking to negotiate the restructuring of its foreign debts. It wants to gain access to new funds to begin the daunting task of rebuilding its war-torn economy.

Mr Tomica Raičević, Yugoslav finance minister, said in an interview that the country's foreign debt totalled around $8bn, including principal and past due interest.

Rump Yugoslavia has been in default since 1992 following the collapse of former Yugoslavia and the start of war in Bosnia and Croatia.

Mr Raičević said around $6bn was owed to sovereign and commercial creditors with approximately $3.6bn owned to Paris Club countries and $2.4bn to the London Club of around 200 commercial banks and other financial institutions. Debt to the World Bank totals around $1bn, with the IMF accounting for around $100m. Other institutions account for Yugoslav debts of around $900m, including $200m to the European Investment Bank.

The exact scale of debts owed to both the Paris and London Clubs remains to be settled. Disputes continue over the share of the debt of former Yugoslavia that should be shouldered by Belgrade and by the other former Yugoslav republics.

Slovenia, Croatia, Macedonia and Bosnia-Hercegovina have all become members of the main international financial institutions, and Slovenia and Croatia have reached definitive settlements recently with the London Club.

Belgrade has begun preliminary negotiations with foreign creditors, and is optimistic of making "tangible progress" next month with the IMF. It is urgently preparing economic data for the negotiations, and figures for 1995 as well as forecasts for 1996 and beyond are to be presented to the commercial banks next month.

# France gives industry spur for cut in working hours

Continued from Page 1

reduced working hours when he met unions in December. Further talks took place last month and several reports have been submitted to the government, including one by Mr Michel Rocard, former Socialist prime minister.

Some agreements have been reached in the metalworking industry to offer a shorter working week in exchange for a more flexible shift system, but they have not led to an increase in employment. Last month, the National Federation of Co-operative Dairies signed an agreement with unions based on the new law, proposed by Mr Gilles de Robien, a member of the national assembly in the UDF centre-right ruling coalition. Other companies undergoing restructuring – including Crédit Lyonnais, Giat and Moulinex – are also discussing ways in which they might apply the new legislation to preserve jobs.

THE LEX COLUMN

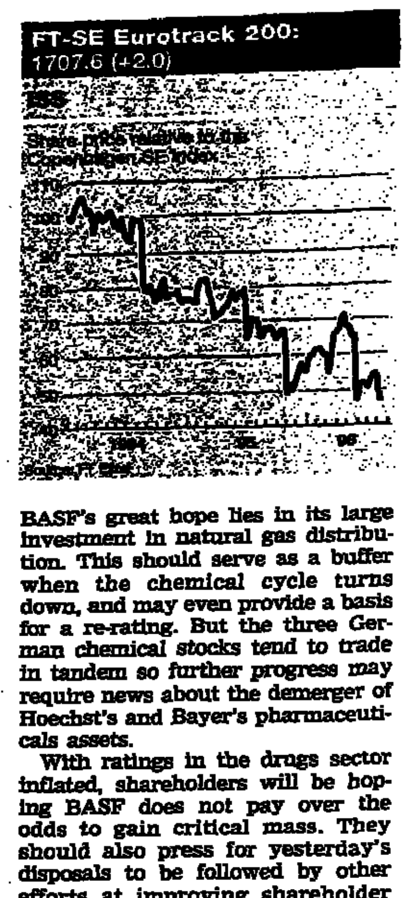
# Taken to the cleaners

The real motive behind the falsification of ISS's US profits remains a mystery. Did the perpetrators hope to gain financially or rise through the corporate hierarchy, or was there some other reason? The answer is unclear. But the high-flying Danish cleaning group's fall from grace does illustrate an all-too-common cautionary tale. Like Barings with its Singaporean money-spinner or Ferranti with its International Signal acquisition, ISS was so impressed with the reported profits coming from the US that it failed to exercise sufficient control.

ISS's inflated earnings were created in two ways: by booking non-existent profits and by providing insufficient sums for insurance liabilities. One effect of generating fictional profits was that ISS's US business was seemingly able to afford an acquisition spree. The acquisitions, in turn, helped disguise how badly the underlying business was performing. It now emerges that, after stripping out acquisitions, the US operations have been shrinking for several years.

Fortunately, ISS is not going bust. Its balance sheet has been holed, but its European businesses – which enjoy strong organic growth and margin improvement – are healthy. ISS is now looking to rid itself of majority control of its US business. It is most unlikely to receive any cash for doing so. But if it can saddle the US operations with anything near the DKr1.2bn in debt they now carry, the group balance sheet will be repaired. ISS's unloved shares might then even look cheap.

FT-SE Eurotrack 200: 1707.6 (+2.0)



## BASF

Even small mercies should be gratefully received, so it would be churlish not to applaud BASF's long-awaited disposal of its loss-making magnetic tape and potash businesses. Shedding DM3bn sales out of DM46bn is hardly earth-shattering but – given BASF's historically cavalier attitude to investors – it is a start.

In the grander scheme, the disposals are simply a matter of housekeeping. The more fundamental question BASF faces is how to shrug off the market's perception that it is a vulnerable cyclical chemical stock. At the moment, only about 10 per cent of its sales are non-cyclical – a much smaller portion than with Bayer or Hoechst, its main rivals – which explains why its shares trade at a discount. BASF's great hope lies in its large investment in natural gas distribution. This should serve as a buffer when the chemical cycle turns down, and may even provide a basis for a re-rating. But the three German chemical stocks tend to trade in tandem so further progress may require news about the demerger of Hoechst's and Bayer's pharmaceuticals assets.

With ratings in the drugs sector inflated, shareholders will be hoping BASF does not pay over the odds to gain critical mass. They should also press for yesterday's disposals to be followed by other efforts at improving shareholder value. BASF's support for changing the law to allow share buy-backs is a step in the right direction. Greater disclosure when its results are released next week would be further progress.

## Hanson

It was the last hurrah for Hanson the conglomerate, which begins its demerger in October, but yesterday's profits announcement gave investors little to cheer about. After stripping out disposals and the demerger of USI, profits in the third quarter fell 21 per cent.

Nonetheless, all attention is now on the relative attractions of the four future Hanson units, and the prospects look mixed. Millennium Chemicals has been hurt by falling prices at its Quantum and SCM units. At least Quantum is on a recovery track, but it is too early to tell if SCM's recent price increases will stick. And it is pretty odd that Hanson, the great corporate raider, has resorted to poison pill defences for Millennium to ensure it is not snapped up by a hostile bidder. So much for Hanson's creed of corporate Darwinism. Tobacco is churning out reliable cash flow. But despite being unaffected by the US tobacco giants' recent legal setbacks, its valuation may take a knock. The building materials division is recovering in the US, but a weak UK construction market is holding back growth. Meanwhile, valuations for the demerged Eastern Group must be reduced, given a tougher regulatory backdrop.

Hanson's lowly share price reflects the likely sum of its parts. But investors who want exposure to one division would do well to wait. When USI was demerged last year, UK investors bailed out almost immediately. They are likely to follow suit in Millennium, while many US investors could exit Imperial Tobacco. This should finally throw up some real value.

## Lloyd's trusts

The first hostile bid for a Lloyd's of London investment trust is a watershed for the sector. There are too many small funds, with few distinguishing features, high costs, and no stock market liquidity. But there has been a surprising degree of resistance to friendly mergers. Even the agreed acquisition of HCG Lloyd's by CLM did not offer much of a premium for investors. The hostile bid by Benfield & Rea Investment Trust (Brit) for HCG Lloyd's holds out hope that long-suffering shareholders in the poorer performing funds may get the chance to exit at a price that at least reflects some of the value of their funds' future underwriting income. Meanwhile, the enlarged funds can squeeze out some costs, while gaining more clout in the market.

Such bids will also hasten the ongoing restructuring of the Lloyd's market. Coinciding with this hostile bid, Brit announced plans to buy a stake in Wren, an agency which manages underwriting syndicates. Limit, another so-called spread fund, has recently acquired control of two managing agencies. This creates the potential for funds, which started life as independent providers of capital to the Lloyd's market, to evolve into niche insurance companies. That will eventually make life tough for the smaller funds that get left behind. With fewer independent managing agencies, it will be harder for them to get access to the more attractive syndicates.



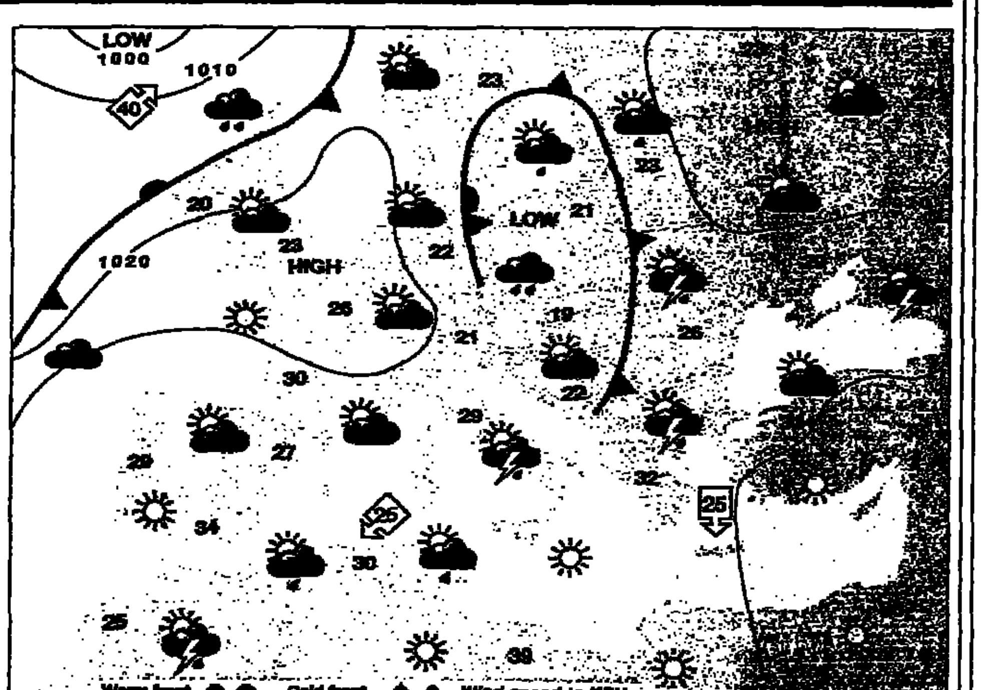
FT WEATHER GUIDE

## Europe today

Conditions in western Europe will gradually improve. The Benelux, France and western Germany will be partly cloudy and dry. Most of England will have sunny periods but a cold front will produce light to moderate rain over Northern Ireland and Scotland. Eastern and south-eastern Europe will have thunder showers. Some will be rather heavy over Romania and Bulgaria. Rain is expected in western Austria and Hungary. Spain will be fair with abundant sunshine but Italy will experience several thunder storms.

## Five-day forecast

Scotland and Ireland will stay rainy. After the weekend, Wales and western England will become wet as well. Western Europe will remain dry until Tuesday when thunder storms will develop over France. Showers will diminish over eastern Europe and clearing skies will spread westward. Bulgaria and northern Greece will still have thunder storms.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

| Maximum Celsius | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Abu Dhabi | sun 43 | Beijing | sun 33 | Caracas | fair 32 | Faro | sun 27 | Madrid | fair 34 | Rangoon | drzzl 31 |
| Accra | shower 27 | Belfast | rain 19 | Cardiff | fair 22 | Frankfurt | fair 24 | Majorca | sun 30 | Reykjavik | cloudy 12 |
| Algiers | fair 30 | Belgrade | shower 22 | Casablanca | cloudy 25 | Geneva | fair 24 | Malta | sun 34 | Rio | fair 24 |
| Amsterdam | fair 22 | Berlin | shower 20 | Chicago | sun 27 | Gibraltar | sun 27 | Manchester | fair 22 | Rome | fair 29 |
| Athens | sun 33 | Bermuda | shower 26 | Cologne | fair 23 | Glasgow | rain 20 | Manila | shower 32 | S. Frsco | sun 24 |
| Atlanta | fair 32 | Bogota | fair 19 | Dakar | fair 31 | Hamburg | shower 22 | Melbourne | fair 15 | Seoul | fair 31 |
| B. Aires | sun 24 | Bombay | drzzl 31 | Dallas | fair 34 | Helsinki | fair 23 | Mexico City | fair 21 | Singapore | fair 32 |
| B.ham | fair 23 | Brussels | fair 22 | Delhi | cloudy 28 | Hong Kong | shower 31 | Miami | fair 32 | Stockholm | fair 23 |
| Bangkok | shower 34 | Budapest | shower 23 | Dubai | sun 42 | Honolulu | fair 32 | Milan | fair 28 | Strasbourg | fair 23 |
| Barcelona | fair 27 | C.hagen | shower 21 | Dublin | cloudy 20 | Istanbul | fair 29 | Montreal | rain 25 | Sydney | sun 19 |
| | | Cairo | sun 35 | Dubrovnik | fair 26 | Jakarta | fair 32 | Moscow | fair 22 | Tangier | fair 28 |
| | | Cape Town | rain 14 | Edinburgh | rain 21 | Jersey | fair 20 | Munich | shower 21 | Tel Aviv | fair 33 |
| | | | | | | Karachi | cloudy 30 | Nairobi | shower 25 | Tokyo | sun 33 |
| | | | | | | Kuwait | sun 47 | Naples | fair 33 | Toronto | shower 25 |
| | | | | | | L. Angeles | sun 29 | Nassau | shower 32 | Vancouver | cloudy 21 |
| | | | | | | Las Palmas | sun 27 | New York | thund 26 | Venice | fair 24 |
| | | | | | | Lima | cloudy 19 | Nice | fair 27 | Vienna | shower 23 |
| | | | | | | Lisbon | sun 29 | Nicosia | fair 38 | Warsaw | shower 21 |
| | | | | | | London | fair 24 | Oslo | fair 26 | Washington | thund 32 |
| | | | | | | Lux.bourg | fair 22 | Paris | fair 28 | Wellington | fair 13 |
| | | | | | | Lyon | fair 25 | Perth | fair 17 | Winnipeg | rain 26 |
| | | | | | | Madeira | fair 25 | Prague | shower 18 | Zurich | fair 21 |



صكا من الاصل

FINANCIAL TIMES
# COMPANIES & MARKETS
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Friday August 16 1996



## IN BRIEF

### Chip price slide batters Samsung

The sharp fall in global semiconductor prices caused a 60 per cent fall in net profits at South Korea's Samsung Electronics to Won453bn ($550m) for the first half of 1996. Analysts predicted profits for the full year would be far below last year's Won2,505bn. Page 14

**Nintendo shares tumble 8.6%**

In Tokyo, shares in Nintendo, the Japanese computer games group, came back from suspension and bottomed at Y6,820, before closing Y660 or 8.6 per cent lower at Y7,040. Analysts were sceptical about shipment projections for the company's new 64-bit games machines, and criticised Nintendo's maintenance of its profits forecast and the upward revision of its sales forecast. The Nikkei 225 index fell 12.86 to 20,968.25. Page 34

**Finnish bourse to offer pulp derivatives**

An exchange for pulp and paper derivatives is due to be launched in Helsinki on September 9. After years of wild price gyrations in their sector, the exchange will offer pulp industry executives a chance to hedge against future price swings. Page 24; UPM offers gloomy forecast for paper industry, Page 15

**ABN Amro rises 36% in first half**

ABN Amro, the Dutch bank, reported a 36 per cent rise in net profits to Fl 1.76bn ($1.02bn) from Fl 1.24bn for the first half of the year, matching the strong growth of most of its European rivals. Mr Jan Kalff, chairman, said investment banking had shown the sharpest improvement. Page 15

**Currency shifts hold back Astra**

First-half profits at Astra, the Swedish pharmaceuticals group, rose 7 per cent to SKr6.76bn ($1.01bn) but the improvement fell about SKr200m short of market expectations as adverse currency effects slowed the sales growth of the company's leading drugs. Page 15

**Ship sales lift Orient Overseas**

Orient Overseas, the Hong Kong shipping group chaired by Mr Tung Chee-hwa, frontrunner to become the territory's governor after it returns to China next year, announced a sharp increase in first-half profits as exceptional gains from ship sales helped lift the net result from US$15.66m to US$71.42m. Page 14

**Lloyd's set for backer's hostile takeover**

Lloyd's of London was poised last night for the first hostile takeover bid among the new generation of corporate capital providers that are increasingly dominating the insurance market. The Benfield & Rea Investment Trust launched a surprise £79.5m bid to acquire HCG, another Lloyd's investor. Page 16

**Companies in this issue**



**Market Statistics** http://www.FT.com



**Chief price changes yesterday**

| | | | |
|---|---|---|---|
| **FRANKFURT (DM)** | | | |
| **Rises** | | | |
| BASF | 42.49 | + | 1.16 |
| Degussa | 552 | + | 8 |
| Holzmann | 370 | + | 5 |
| Porsche | 850 | + | 8 |
| **Falls** | | | |
| Herlitz | 166 | − | 2.5 |
| Kali & Salz | 195 | − | 14 |
| **NEW YORK ($)** | | | |
| **Rises** | | | |
| Hughes Supply | 40¾ | + | 2⅝ |
| Orchard Supply | 34⅛ | + | 4⅛ |
| Utd Meridian | 38 | + | 2⅛ |
| **Falls** | | | |
| Blyth Inds | 38⅝ | − | 1⅛ |
| Times Mirror | 35⅞ | − | 1⅛ |
| York Intl | 46 | − | 1⅞ |
| **LONDON (Pence)** | | | |
| **Rises** | | | |
| Antonov | 75 | + | 5 |
| Division | 78 | + | 12 |
| Haden Mac | 99 | + | 9 |
| Orange | 187 | + | 7½ |
| **Falls** | | | |
| Firecrest | 50 | − | 10 |
| Microvitec | 40½ | − | 13 |
| **TORONTO (C$)** | | | |
| **Rises** | | | |
| ACC Tele | 19.00 | + | 2.00 |
| Bema Gold | 12.45 | + | 5.45 |
| Tee-Comm Elec | 11.90 | + | 0.75 |
| Trojan Tech | 14.50 | + | 1.15 |

| | | | |
|---|---|---|---|
| **Falls** | | | |
| Golden Star | 25.00 | − | 0.85 |
| Multibanc | 39.00 | − | 2.00 |
| **TOKYO (Yen)** | | | |
| **Rises** | | | |
| Akebono Brake | 906 | + | 25 |
| Ando Const. | 580 | + | 28 |
| Koito Manu. | 800 | + | 42 |
| Ninpko | 1060 | + | 30 |
| **Falls** | | | |
| Central Fin | 421 | − | 19 |
| Matsuzakaya | 7050 | − | 850 |
| **HONG KONG (HK$)** | | | |
| **Rises** | | | |
| China Travel | 2.375 | + | 0.20 |
| Leading Spirit | 3.50 | + | 0.20 |
| Windsor Inds | 7.85 | + | 0.85 |
| **Falls** | | | |
| Dah Hwa Intl | 4.40 | − | 0.275 |
| HK Bldg & Ln | 1.40 | − | 0.14 |
| Oriental Telecom | 2.25 | − | 0.25 |
| **BANGKOK (Baht)** | | | |
| **Rises** | | | |
| O.C.C. | 63.00 | + | 5.50 |
| Skd Intl | 45.25 | + | 4.00 |
| Tipco | 37.25 | + | 3.25 |
| **Falls** | | | |
| Khungdhep | 120.00 | − | 13.00 |
| Precious Ship | 94.50 | − | 7.50 |
| Thai Rung | 68.50 | − | 6.50 |

New York and Toronto prices at 12:30. Paris closed.

# Ericsson shares lifted by 31% first-half rise

By Hugh Carnegy in Copenhagen

Ericsson, the Swedish telecoms group, yesterday defied worries about the state of the mobile telephone industry. It reported a 31 per cent increase in profits in the first half which prompted a more than 5 per cent surge in its share price.

"We have not noted any reduction in demand [for mobile equipment]," said Mr Lars Ramqvist, chief executive. "On the contrary, the rate of market activity continues to be high. The number of mobile telephone subscribers throughout the world has now passed the 100m mark."

The world's leading supplier of mobile telephony equipment said its mobile sales had grown 35 per cent during the period. This was the driving force behind a jump in pre-tax profits from SKr3.2bn to SKr4.2bn ($636m).

Earnings per share rose from SKr2.42 to SKr3.06.

There was little sign of any weakening of the trend in the second quarter, when pre-tax profits rose 38 per cent from SKr2bn to SKr2.7bn, fuelled by a similar rise in sales by the mobile telephony division, Ericsson's biggest unit.

The result, at the top end of market expectations, pleased investors and Ericsson's most-traded B-share rose SKr8.0 on the day in Stockholm to close at SKr147.

The reaction followed a similar response last week to first-half results from Nokia, Ericsson's Finnish rival. Nokia posted a more than 50 per cent slump in profits – but it also reported healthy 30 per cent sales growth in its mobile telephone operations, which returned to profit in the second quarter after a loss in the first three months.

Ericsson's mobile division saw sales increase in the first half from SKr23.4bn to SKr31.6bn. Sales in the fixed telephony division, which is restructuring in response to low market growth, fell from SKr10.9bn to SKr9.8bn. Ericsson said orders were up, but profits remained weak.

The group did not give figures for divisional profits. But it appeared to have largely survived a trend within the mobile industry of falling prices and margins. Its strength in mobile infrastructure, where competition is less fierce than for handsets, has helped it achieve this.

However, analysts said it was not clear how long Ericsson could sustain this. "It still may be just a matter of time before the rising competitive pressures they themselves have warned about hit them," said one London-based telecoms analyst.

Mr Ramqvist also noted that Ericsson had negative cash flow, caused by the group's fast expansion costs and heavy demands from customers for help with financing orders.

"To improve cash flow, we may have to divest certain operations and also continue to develop joint ventures of various types," Mr Ramqvist said.

Group sales rose during the second quarter from SKr23.4bn to SKr27.4bn, lifting first-half sales from SKr43.2bn to SKr50bn.

Order bookings in the first half were up 20 per cent at SKr63.3bn.

Lars Ramqvist: 'rate of market activity continues to be high'

# Softbank acquires US chip group

By Michiyo Nakamoto in Tokyo

Softbank, the rapidly expanding Japanese distributor and publisher of personal computer software, is acquiring a majority stake in Kingston Technology, a US supplier of semiconductor memory products, for $1.5bn.

The acquisition, the second largest by the Japanese company after it bought Ziff-Davis Publishing, the world's largest publisher of computer magazines for $1.8bn last year, brings Softbank's US acquisitions in the past two years to more than $4bn.

Kingston, a California-based private company set up nine years ago by Mr John Tu and Mr David Sun, has become one of the largest suppliers of add-on memory modules for PCs. Its founders will now jointly become the second largest shareholder in Softbank.

Softbank said Kingston had sales of Y136bn ($1.3bn) in the year to December 1995, and was forecasting an increase to Y164bn in the current year, with a rise in profits to Y26.4bn (Y15.9bn). The company, which designs its products using off-the-shelf memory chips, sub-contracts most of the assembly work.

Despite some concerns about the pace of Softbank's growth, the group's shares closed 4 per cent higher yesterday at Y17,000.

Softbank has revised its forecast consolidated results to March. It expects pre-tax profits to rise to Y26.5bn compared with an earlier forecast of Y24bn. Last year, its consolidated pre-tax profits were Y14.4bn on sales of Y171bn.

Softbank, which has been on an aggressive acquisition spree under its president, Mr Masayoshi Son, plans to finance the acquisition by issuing shares to Mr Tu and Mr Sun and straight bonds to repay an initial bank loan.

Softbank's expansion, supported by its high share price, has raised concerns. "Whether or not Softbank has adopted an appropriate management strategy and made the right investments depends on whether or not the company can bring out the synergies between the various businesses," said Mr Ryosuke Osakake, analyst at Nikko Research Center.

# Vitro to sell US glass operation

By Leslie Crawford in Mexico City

Vitro, the Mexican glass manufacturer, plans to sell its lossmaking US subsidiary, Anchor Glass, after reporting a net loss of 358m pesos ($47m) in the first half of the year.

"Due to Anchor's unfavourable results and its liquidity requirements, Vitro is inviting bids for the purchase of Anchor. We are holding talks with interested parties," Mr Federico Sada, Vitro's director-general, said.

Mr Sada said proceeds from the divestiture would be used to lower Vitro's $480m debt. He hoped Vitro would recoup its 3bn peso investment in Anchor Glass, which is the third-largest glass container manufacturer in the US.

Salomon Brothers, the US investment bank, said in a report that Vitro's substantial leverage had been a concern to investors, contributing to the slump in Vitro's share price this year. The company has a total debt to capital ratio of 55 per cent.

Vitro's disappointing first-half results were also affected by losses at Grupo Serfin, Mexico's third-largest financial group. Vitro is one of Serfin's controlling shareholders.

This year, Vitro's main shareholders, alarmed at the scale of Serfin's losses and additional capital requirements, decided to reduce their stake in the financial group from 20 per cent to 11.46 per cent.

Nevertheless, the need to create extraordinary reserves against bad loans at Serfin's bank accounted for more than 1bn pesos in the second quarter of 1996.

Serfin's losses transformed Vitro's operating profit of 679m pesos in the second quarter into a net loss of 769m pesos.

For the first half of 1996, Vitro's operating income fell 37 per cent to 1.2bn pesos. The group's net sales fell 5.6 per cent to 11bn pesos, despite a 9 per cent rise in exports to $286m.

The group's chemical and packaging divisions did well, but sales of refrigerators and other durable goods, which Vitro manufacturers under license, remained depressed by the economic recession.

Mr Sada said the glass bottling business in Mexico continued to provide attractive returns, unlike the difficulties in the US, where demand for glass containers was expected to contract by 3 per cent this year.

Anchor Glass has lost a greater market share than its competitors because of high fixed costs and outdated plant and machinery.

# BASF in tape and potash disposal

By Wolfgang Münchau in Frankfurt

BASF, the German chemicals group, is to sell its magnetic tape business and aims to cede control of its potash mining interests to concentrate on its core chemical and pharmaceutical operations.

BASF Magnetics, one of BASF's best known subsidiaries, is to be sold to Raks, a Turkish consumer electronics group, for an undisclosed sum.

BASF also expects to sell a controlling stake in Kali und Salz, which runs potash and salt mines in central Germany, to Potash Corporation of Saskatchewan, a Canadian company.

The units have combined turnover of about DM3bn ($2bn).

The news triggered a rise in BASF's share price, which climbed DM1.16, or 2.8 per cent, to close at DM42.49.

Mr Max Dietrich Kley, a BASF board member, said: "We want to be a company of the chemical business, with a strong foothold in pharmaceuticals and in the oil and gas business. We want to make clear that we are a chemical and pharmaceutical company."

An industry analyst said: "The sale is indicative of the company's willingness to clean out their portfolio."

BASF Magnetics made heavy losses between 1991 and 1993, and turned in small profits in 1994 and 1995. BASF said the company achieved a turnover of DM1.2bn last year and employed 2,000.

The German group has poured significant resources into its magnetic tape operations over the past few years, but Mr Kley said greater efforts would have been needed to change the cost structure and expand into new markets. BASF was no longer prepared to undertake such efforts.

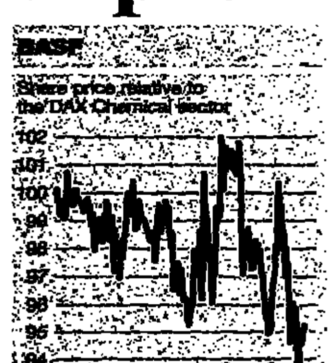
Raks' turnover last year was DM400m. Its biggest business areas are tapes, compact discs and white goods.

Raks said yesterday it was too early to give an indication of whether it would cut jobs and whether the BASF brand name would eventually be phased out.

Separately, BASF is negotiating to sell a 51 per cent stake in Kali und Salz Beteiligungs, a holding group which owns 51 per cent of Kali und Salz, the operating company. After the sale BASF will retain a 25 per cent stake.

BASF said it would sell the stake at below the current market value of about DM500m. Kali und Salz last year had turnover of DM1.7bn, and 8,300 staff. The company has been a persistent lossmaker.

BASF said the sale would offer PCS a good regional mix, since PCS is mainly active in the Americas and Asia, while Kali und Salz sells most of its output in Europe.




BASF has tried to focus its business by expanding its pharmaceutical interests through last year's acquisition of the pharmaceutical interests of Boots, the UK chain of chemists, and through the DM500m acquisition of a majority stake in Hokuriku Seiyaku, a Japanese drugs firm.

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# Hanson US unit adopts poison pill bid defence

By Jenny Luesby and Ross Tieman in London

Hanson has endowed its US-based Millennium Chemicals with a poison pill in an effort to protect it from an opportunistic bid after the conglomerate's four-way demerger.

The protection measures, allowed by Millennium's incorporation in the state of Delaware, were revealed as Hanson announced third-quarter results at the low end of expectations.

In London, the group's shares fell 2p to 166½p.

The conglomerate said the protection was necessary because of a geographical shift in its shareholder base, which had already begun.

Since Hanson announced its demerger plan in January, US investors, mainly growth funds, have taken advantage of selling by yield-oriented UK investors to lift their ownership of Hanson from 23 per cent to 33 per cent.

Many British funds are expected to be sellers of their allocation of Millennium shares. Mr Bill Landuyt, Millennium chief executive, said: "We are expecting initial pressure on pricing as UK shareholders get out of a US-listed chemicals company, while in the US, shareholders do not know Hanson."

The measures had been introduced to prevent any opportunistic bid during the transition. With its business concentrated in the difficult and consolidating ethylene, polyethylene and titanium dioxide markets, Millennium is a potential target for a predator seeking increased market share and a lower cost base. Incorporation in Delaware provides increased protection from an opportunistic bidder.

Mr Landuyt said: "The poison pill will mean that if a company picks up a 15 per cent stake, its shares will become worthless. Unless the company has gone to the board first, the shares will carry no vote and no liquidation value."

He said the move was designed to protect Millennium shareholders. "The Delaware law is shareholder-friendly," he said. "If a company makes a fully financed offer at a serious price, we will be obliged to have it assessed by an investment banker. The point of the poison pill is to get a better price."

He said that without the poison pill, "if another company took this opportunity to pick up a 35 per cent stake in Millennium, it would only need to secure a further 15 per cent, through an offer, to gain control".

Pathfinder prospectuses for Millennium and Imperial Tobacco, Hanson's British cigarette and cigar business, are expected next week. Mr Derek Bonham, group chief executive, said Hanson would seek a US American Depositary Receipt listing for Imperial, and market it to US funds.

Like Millennium's poison pill, the ADR listing is aimed in part at limiting shareholder instability once the phased demerger is completed, between October and January.

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# Samsung hurt by slide in chip prices

By John Burton in Seoul

*Samsung Electronics* suffered a 60 per cent fall in net profits to Won453bn ($550m) for the first half of 1996 because of the sharp fall in global semiconductor prices.

Although Samsung had the biggest earnings of any listed Korean company for the first half, analysts predicted profits for the full year would be far below last year's Won2,506bn.

Semiconductors account for at least 80 per cent of the profits at Samsung Electronics, which also manufactures consumer electronics, telecommunications equipment and computers.

As the world's largest producer of computer memory chips, Samsung has been hurt by a 70 per cent fall in global prices for its mainstay 16-megabit dynamic random access memory chip over the past year.

The sharp decline in memory chip prices reflects a slowdown in sales of personal computers and excess production capacity, with the opening of new semiconductor plants in South Korea, Taiwan and Japan.

Analysts believe that most of the half-year profit for Samsung was generated in the first three months of 1996, before the fall in semiconductor prices accelerated.

The price of 16-megabit D-Ram chips in January was $43, but by July it had fallen to $15.

The outlook for the semiconductor prices during the second half of the year is poor, with some analysts estimating that the price of a 16-megabit D-Ram could soon plunge to $10. This would be below Samsung's estimated break-even point of about $14 to $15.

The current consensus among analysts in Seoul is that Samsung will report net earnings of Won650bn for the full year, considerably less than the company's estimate at the beginning of the year of Won3,200bn.

In spite of the fall in chip prices, turnover for Samsung Electronics in the first half climbed by 23 per cent to Won8,710bn owing to improved sales of telecoms equipment and computer systems. Samsung Electronics accounted for 84 per cent of the group's total profits last year.

The performance in the first six months of the year of other Samsung subsidiaries was mixed.

**Samsung Display Devices**, the world's leading producer of cathode ray tubes, reported a 65 per cent rise in profits to Won83.6bn as sales increased 29 per cent to Won1,181bn.

**Samsung Electro-Mechanics**, an electronics components producer, saw earnings rise 14 per cent to Won19.3bn.

**Samsung Corporation**, the group's trading unit, reported a 28 per cent rise in profits to Won18.5bn, while it reported the largest sales of any Korean listed company, at Won11,617bn.

**Samsung Heavy Industries**, the shipbuilding and machinery unit, reported a 79 per cent fall in net profits to Won7.4bn because of weak shipbuilding prices and higher interest expenses from a dockyard expansion.

# Sharp fall at Thai telecoms group

By Ted Bardacke in Bangkok

Shinawatra Computer & Communication, the flagship company of Mr Thaksin Shinawatra – who this week pulled his Palang Dharma party out of Thailand's coalition government – reported second-quarter net profit fell to Bt674m ($26.7m), down 46 per cent from a year ago.

First-half profits of Bt1.46bn were down 24 per cent from last year.

A poor performance had been projected, but the results were worse than expected and the company is unlikely to show any profit growth this year, analysts said. Shinawatra shares fell Bt8 to Bt356 yesterday.

Net margins fell to 14.5 per cent in the quarter, compared with 24.1 per cent in the same period last year. Revenues were down 10.2 per cent to Bt4,635bn.

ING Barings said the profit fall was in part due to a 37 per cent drop in trading revenues. Shinawatra derives more than three-quarters of trading revenue from the sale of mobile phone handsets, so lacklustre subscriber growth at Advanced Info Service, its mobile phone subsidiary, hurt both revenue and profit.

Advanced said its second-quarter net profit was up 25 per cent to Bt886.2m, although it signed up only 38,000 new subscribers in the period, compared with 51,000 in the year-ago quarter. First-half profit of Bt1.86bn was up 44 per cent. The company said it had revised its new subscriber projection for the year to 260,000, from an earlier estimate of 330,000.

By contrast, Total Access Communication, Thailand's other mobile phone operator, said first-half net profit rose 74 per cent to Bt1.33bn. Revenue was up 75 per cent to Bt5.11bn.

Thailand's two fixed-line operators also reported results yesterday. TelecomAsia, which has a concession to install and operate 2.6m lines in the Bangkok area, said it lost Bt261m in the second quarter, compared with a profit of Bt234m in the second quarter of 1995.

First-half losses were Bt187.5m, compared with a profit of Bt649m in the first half of 1995.

The losses were attributed to heavy investment by the company, which has a September 30 deadline to finish installing its lines. Only 40 per cent of the lines are generating revenue, according to Mr Paul Ngo, telecoms analyst with ING Barings. Mr Ngo is revising his full-year profit forecast down to about Bt200m, from Bt656m.

Thai Telephone & Telecommunication, which has a concession for 1.5m lines in Thailand's provinces, said net second-quarter profit was Bt 194.1m, down 17.3 per cent. First-half profits of Bt348.8m were down 23 per cent.

# Improved margins help CVRD rise 64%

By Jonathan Wheatley in São Paulo

Companhia Vale do Rio Doce, the large Brazilian mining group due to be privatised next year, said higher margins and lower operating costs helped first-half profits rise 64 per cent in real terms, compared with the same period last year.

Preliminary figures showed net profits of R$111m (US$109.6m), down from R$117m last year. However, analysts say such comparisons are unreliable following changes to Brazilian corporate law; the government has prohibited publication of inflation-adjusted accounts as part of its strategy to combat inflation.

Taking account of inflation of about 7 per cent during the first half, CVRD said profits were R$192m. Turnover was R$1.392m, up from R$1.384m last year.

Mr Marcelo Mesquita, of Garantia, a São Paulo investment bank, said the result was within expectations and showed a recovery in the second quarter after a weak start to the year.

Increased revenues from sales of potassium and manganese (up 64 per cent and 47 per cent, respectively) and from port services (up 33 per cent) contributed to the improvement. Operating expenses fell about 8 per cent, in part a result of staff cuts.

Higher European prices for iron ore, CVRD's core activity, helped offset a 3 per cent drop in sales volume; price rises elsewhere took effect in May, and will be felt in the second half.

Mr Mesquita said iron ore sales should recover in the second half to bring volume for the year back to its 1995 level. Non-core activities, especially paper and steel, should also improve.

For the first time, CVRD published figures for cash flow, although there is no legal requirement to do so. "This is very positive - it should be made mandatory," Mr Mesquita said. "It shows that CVRD is preparing for higher disclosure as privatisation gets nearer."

# Ship sales lift Orient Overseas

By John Ridding in Hong Kong

Orient Overseas (OOIL), the Hong Kong shipping group, yesterday announced a sharp increase in profits for the first half of the year, as exceptional gains from ship sales helped lift the net result from US$16.86m to US$71.42m.

Mr Tung Chee-hwa, group chairman and the front runner to become Hong Kong's post-colonial governor after the territory returns to China next year, described the performance as a good result achieved in difficult market conditions.

"The container transportation industry is presently suffering from over-capacity in certain trades," Mr Tung said, adding that the group had benefited from improved quality in services, economies of scale, and the implementation of consortium arrangements on important trading routes.

The second half is traditionally the more profitable period. However, the group warned that it would continue to be affected by overcapacity and that pressure on rates on certain routes was emerging.

Tung Chee-hwa: a good result in difficult market conditions

Operating profits during the first half rose from $29.82m to $52.26m. A sharp increase in financing costs was more than offset by an exceptional profit of $47.55m arising from the sale of three vessels which were chartered back for 10 years.

The sale of ships has been matched by the acquisition of new vessels. During the period the company took delivery of three new ships with capacity of 4,950 TEUs (twenty foot equivalent units) and one new 2,300 TEU vessel. In addition, three new 4,000 TEU vessels were chartered for a period of 10 years.

Turnover rose from $812.52m to $847.79m. The rise was mainly due to increased activity in the Asia/Europe, North Atlantic and intra-Asian routes, and to an increased share of China trade.

Competition is particularly strong on trans-Pacific routes. To counter this trend Overseas Orient has sought alliances with other shipping groups. Citing partnerships with American President Lines, Mitsui OSK Lines, and several other operators, Mr Tung said this process was now complete.

Investments in mainland China increased during the period, reflecting its potential as a growth market. Additional investment in the six months to June 30 amounted to $5.3m, taking the total to $57.1m.

Earnings per share were 14.5 cents for the period, compared with 2.7 cents in the first half of 1995. The interim dividend was set at 1 cent, a rise of 25 per cent.

# New bidders for Australia airports

By Nikki Tait in Sydney

Two new consortia – one Australian, the other a mixture of UK and Australian interests – yesterday joined the list of potential bidders for Australia's main airports, which are due to privatised shortly.

The Anglo-Australian group, Australian Airports Limited, brings together the UK's National Express Group, which owns airports and other transport interests in the UK and Europe; Portland Group, a private London-based airport consultancy business; Gandel, the Australian retail property developer; and AIDC, a local investment house.

The AAL team also includes several senior executives who were previously with the Federal Airports Corporation, the current operator of the 22 airports up for auction.

AAL said yesterday that it was interested in the three airports likely to be sold in the first tranche – Melbourne, Brisbane and Perth. It also had a "strong interest" in some of the smaller regional airports which will be sold later.

The second consortium is being formed by Hudson Conway, a Victorian property group, which is also the largest shareholder in the company that runs a lucrative, but controversial, casino in Melbourne.

Hudson Conway said that it intended to bid for Melbourne Airport.

The two new names add to the list of interested parties, which include BAA, of the UK, which has teamed up with two local institutions; Lend Lease-Brambles; Westfield and the US-owned Airport Group Australia; and Schipol, of the Netherlands, with Commonwealth Bank.

# Hollinger ahead to $6.6m in term

By Raymond Snoddy

Hollinger International, Mr Conrad Black's international newspaper group whose interests include The Daily Telegraph in the UK, has reported second-quarter earnings of $6.6m, compared with $4.3m in 1995.

Under pressure from increased newsprint costs and a number of non-recurring items such as the launch of a new magazine for the Sunday Telegraph, net earnings for the six months to June 1996 were $2.6m, or 3 cents a share. This compares with $12m, or 21 cents, in 1995.

The Chicago-Sun Times, the company pointed out, was buying newsprint at an average cost of $500 a tonne at the beginning of 1995, but this had risen to a peak of $740 in the last quarter of 1995 and the first quarter of 1996. Prices have now begun to ease, and by June this year the average had dropped to $675.

Total revenues for the group in the quarter increased 13.4 per cent to $267.2m, from $235.6m in 1995, largely because of higher cover-price revenue in the UK and the impact of newly-acquired community newspapers in the US.

Revenues for the US Newspaper Group were $153.7m, an increase of $14.1m. Earnings before tax, interest, depreciation and amortisation increased by $5.1m, or 22 per cent, to $28.3m.

In the International Newspaper Group, which includes the Daily Telegraph, second-quarter operating revenues were $113.5m, an increase of $17.5m, or 18.2 per cent, over 1995.

Circulation revenues improved by $12.1m, helped by cover-price increases as the newspaper price war in the UK eased. Advertising revenue advanced by $3.8m.



# Internet company to go public – while in profit

## E*Trade to offer shares after year of successful trading

Unlike most of the Internet companies that have sold their shares to the public in the past 12 months, E*Trade Group, a leading on-line brokerage that is set to launch an initial public offering today or early next week, is more than a year old and has turned a profit.

But 12 months after Netscape Communications ignited the frenzy for Internet shares by offering its stock at about 20 times annualised revenues – it had no profits at that time – E*Trade will sell its shares for less than half that figure amid the recent turbulence in technology shares.

When E*Trade filed in May to sell its shares, with Internet companies' shares soaring to record highs, it intended to sell 6.8m shares for as much as $14 each, valuing the company at nearly $425m. Market conditions were a primary factor in the company's decision to reduce the number of shares to 4.7m and reduce the upper end of the estimated price range to $12. That puts a value of up to $341m on the company – about 8 times annualised revenues.

Market shakiness is not the only worry among investors. In May, E*Trade's systems failed twice, leading the company to return $1.7m to customers who could prove they sustained losses by being unable to complete trades.

That loss, plus expenditures on the creation of a back-up facility, caused the company to report a loss of $2.4m in the latest quarter and led to a wave of negative publicity on the bulletin boards frequented by individual online investors.

Institutional investors, however, are not deterred by what they see as one of the best and most profitable early uses of the Internet.

"These kinds of glitches are just part of the Internet and online trading; they are solvable," says Ms Kathleen Smith, a technology analyst at Renaissance Capital, an IPO research firm. "They are going to trip up here and there, but they are not going to change the dynamics of the business which are very strong."

Industry analysts believe the entire sector is about to take off, as use of the Internet spreads and investors are attracted by the money they can save using on-line brokerages. Forrester Research, a technology research and consulting firm, estimates that there will be 800,000 online brokerage accounts by the end of this year which could grow to as 1.3m by the end of 1998.

Fees for online trades range from flat fees of $9.95 to about $35 and are falling rapidly, compared with the approximately $55 it costs to trade 100 shares at a traditional discount brokerage.

E*Trade, which was founded in 1982 to offer online services for several discount brokerages and later launched its own brokerage, has seen explosive growth in its Internet service. Since the service was launched in February, trading volume has jumped from 1,800 transactions in the first full week of service to 10,900 by the last full week of June.

A far cry from 13 years ago, when Mr William Porter, E*Trade's founder, watched an investor place the first share order over a computer.

**Lisa Bransten**

## NEWS DIGEST

# Daewoo Corp up 38% in first half

Daewoo Corporation, the trading and construction unit of South Korea's fourth-largest group, reported a 38 per cent increase in net earnings to Won45.8bn ($55.8m) for the first half, on sales 39 per cent higher at Won9,127bn. The improved results reflected increased orders for its construction division, which accounts for 20 per cent of total sales, and a recent revaluation of its assets that yielded further gains.

However, earnings at **Daewoo Heavy Industries**, which was the group's biggest profit earner last year, fell by 54.5 per cent to Won36.8bn due to weaker shipbuilding and rolling stock prices. Sales climbed by 56 per cent to Won2,544bn.

Daewoo Electronics reported a 1.5 per cent increase in earnings to Won25.3bn, while sales rose by 15 per cent to Won1,640bn. The sluggish profit growth was the result of tough competition in the domestic consumer electronics market, while exports have been hurt by the depreciation of the Japanese yen that has benefited Japanese rivals.

*John Burton, Seoul*

## Ssangyong units slip

Main units of Ssangyong, South Korea's sixth-largest conglomerate, suffered reverses in the first half. Losses at **Ssangyong Motors** deepened to Won89.7bn ($10.9m) against Won49.1bn a year ago because of capital costs involved in the expansion of facilities, including the construction of a plant that will produce the company's first passenger cars next year.

Turnover rose by 57 per cent to Won659bn due to increased sales of commercial vehicles, including exports to China, and four-wheel drive utility vehicles.

Net earnings at **Ssangyong Cement**, Korea's largest cement manufacturer, fell by 50 per cent to Won9.1bn as sales grew by 2 per cent to Won670bn. The earnings decline reflected rising costs and the refusal of the government to lift its ceiling on cement prices.

**Ssangyong Oil Refinery** saw profits fall 25 per cent to Won64bn, although sales increased by 22 per cent to Won1,964bn. Capital expenses of Won400bn for 1996 were *mainly blamed for* the downturn.

● **LG Electronics**, South Korea's second-largest electronics maker, reported a 15 per cent increase in net profits to Won78.3bn for the first half on sales ahead by 17 per cent to Won3,677bn. Analysts said the gain was mainly due to LG Electronics' sale of a 4.1 per cent in its sister subsidiary, LG Information & Communications, earlier this year.

● **Korea Mobile Telecom**, South Korea's main wireless telecom operator, reported an 88 per cent increase in net earnings to Won156bn for the first half.

The strong earnings performance of KMT reflected a 43 per cent rise in cellular phone subscribers to 2.3m during the first half of 1996 following a sharp lowering of consumer deposits, although KMT raised service fees.

*John Burton*

## Yukong tumbles 71%

Yukong, South Korea's largest oil refiner, reported a 71 per cent slump in net earnings to Won23.6bn ($28.7m) for the first half, although sales rose by 18 per cent to Won3,947bn. The sharp fall was the result of weakening petrochemical prices and increased interest charges due to Won1,400bn being spent this year to expand both its petrochemical and oil refining facilities. *John Burton*

## Sears Roebuck hardware buy

Sears Roebuck, the US department store group, yesterday moved to expand its portfolio of neighbourhood stores by signing a deal to buy Orchard Supply Hardware Stores, a quoted California retailer, for $415m in cash, or $35 a share. The deal marks a significant step in Sears Roebuck's strategy of looking for growth in the neighbourhood store concept rather than traditional mall stores.

Mr Arthur Martinez, Sears Roebuck's new chairman and chief executive, said last year he saw limited prospects for growth in sales of clothing, a department store staple. Bigger growth would come from sales of goods and services for the home, he said, and Sears Roebuck needed outlets that would bring these goods and services closer to its customers.

Orchard made net income of $9.5m in this year's first half. Yesterday's deal will bring Orchard's 61 California hardware superstores into the Sears' portfolio. They will retain the Orchard name and management, but they will give Sears Roebuck its first hardware stores in California.

*Richard Tomkins, New York*

## Public Bank ahead sharply

Public Bank, Malaysia's third-largest bank, reported a healthy increase in interim net profit yesterday as loans increased in spite of government moves to dampen some types of borrowing. The group reported a 26 per cent rise in net profit to M$199.8m (US$80m) for the half-year ended June 30, up from M$158.6m in the same period a year ago. Revenue grew 56 per cent from M$1.01bn to M$1.58bn, and earnings per share rose from 12.8 cents to 16.1 cents.

Loan growth was impressive, in spite of a trend of rising interest rates which the government engineered in the first half of the year, in part to check borrowing for property and consumer goods purchases. Group loans rose by 43.1 per cent, while deposits grew by 9.9 per cent. The surge in lending brought the group's loans/deposits ratio to 72.6 per cent, which analysts said was a record. Public Bank is known for its conservatism, but it has signalled that it wants gradually to bring its loans/deposits ratio to about 80 per cent – a plan which stock market analysts regard as positive.

The group's banking operations remained the biggest contributor to earnings, generating 44 per cent of group profits. *James Kynge, Kuala Lumpur*

## BPCL gets go-ahead for issue

Bharat Petroleum Corp (BPCL), the Indian oil refinery and petroleum distribution company, plans to make its long-awaited domestic public issue in September or October. The company has gained clearance from the Securities and Exchange Board of India, the country's financial market regulator, to issue up to 15m shares in the domestic market.

Brokers estimate the issue, *one of the largest* domestic offerings this year, will be priced at between Rp270 and Rp320 a share to raise between Rp4.05bn and Rp4.8bn ($114m-$135m).

The issue has already attracted criticism from some fund managers over plans to charge a premium to foreign institutional investors to obtain a firm allotment of the shares. Mr Avadhoot Sabnis, analyst with brokers James Capel Batlivala and Karani, said the minimum allotment of shares for individual investors would be 100 shares. Although retail investors are expected to be allowed to pay for shares in tranches, this would still require a higher initial investment than usual in Indian domestic issues.

The issue will be lead managed by SBI Capital Markets and Industrial Development Bank of India. *Tony Tassell*

## Shake-up lifts Thai Airways

Thai Airways yesterday reported a 210 per cent rise in net profit to Bt587.8m ($23.2m) for the *third quarter* as the company's restructuring programme appeared to be paying off. Profit of Bt3.05bn for the first nine months was up 60 per cent compared with the first nine months of last year.

*Ted Bardacke, Bangkok*

## COMPANIES AND FINANCE: EUROPE

# Investment side drives 36% rise at ABN Amro

By Simon Kuper in Amsterdam and John Gapper in London

ABN Amro, the Dutch bank, yesterday reported a 36 per cent rise in net profits for the first half of the year, from Fl 1.24bn to Fl 1.70bn ($1.02bn), matching the strong growth of most of its European rivals.

Mr Jan Kalff, chairman, said: "It has gone better throughout the whole bank, but especially in investment banking." The rise beat analysts' forecasts of Fl 1.5bn in net profits, and the shares gained 2 per cent to Fl 95.40. Mr Kalff said profits growth in the second half would not be as strong. "It could be that there will be a bit of margin erosion, because of the enormous competition in the markets."

The bank's equity broking operations in continental Europe, known as ABN Amro Hoare Govett and which include Alfred Berg in Sweden, turned in a profit. Equity broking in London and the Netherlands was strongly profitable.

Mr Nick Bannister, chief executive of ABN Amro Hoare Govett, said it was examining acquisitions to lift its relatively small presence in fund management, and there was likely to be an announcement in the second half.

Analysts said the bank was unusually bullish. ABN Amro's profits growth would have been nearly 50 per cent but for provisions of almost Fl 100m. These were taken against the planned shift to the euro currency, changes in computer systems forced by the "millennium bug", and the cost of developing a new cash card.

The bank has traditionally aimed for even profits growth. "By providing for these large sums so soon, we are on the very conservative side," Mr Kalff said. The introduction of the euro would cost ABN Amro Fl 100m–Fl 150m over the next four years.

Sales rose 22 per cent to Fl 9.38bn, with net interest revenue up 13 per cent to Fl 5.59bn. Commission income rose a quarter to Fl 2.47bn, mainly because of the bank's foreign securities business, while income from trading jumped 86 per cent to Fl 904m.

Mr Bannister said revenues for ABN Amro Hoare Govett were 65 per cent up, while costs rose 10 per cent. He said Hoare Govett's corporate broking operation in London had a record period, recruiting several large companies.

However, he cautioned there had been signs in July and August of a drop in volumes. "We see the cycle becoming more difficult. We are quite cynical about the build-up by some of our competitors at this point in the cycle," he said.

The interim dividend rises 13 per cent to Fl 1.80 from Fl 1.60, payable from earnings per share up 34 per cent to Fl 4.92.

# Currency shifts hold back Astra

By Greg McIvor in Stockholm

First-half profits at Astra, the Swedish pharmaceuticals group, fell short of market expectations as adverse currency effects slowed the sales growth of the company's leading drugs.

Pre-tax profits advanced from SKr6.3bn to SKr6.76bn ($1.01bn), an increase of 7 per cent but some SKr200m below forecasts. Astra, which has regularly delivered double-digit earnings growth in recent years, saw its most-traded A-shares fall SKr9 to SKr274.50 yesterday.

The negative impact of currency shifts – primarily the krona's weakness against the dollar – depressed profits by about SKr600m. However, Astra stressed that underlying sales growth remained robust, and said it had outperformed the market in Europe and the US.

Sales of Losec, the anti-ulcer agent which accounts for nearly half of group revenues, rose from SKr7.7bn to SKr8.55bn. Total Losec sales – including the US, where it is marketed in a joint venture with Merck, the US pharmaceuticals group – were SKr11.5bn, against SKr10.5bn.

The company had noted no business side-effects from widely-publicised allegations of sexual harassment against its former head of US operations earlier this year. Losec's underlying sales growth in the US was more than 40 per cent, Astra said. It expected the drug to become the world's top-seller this month, overtaking Zantac, the anti-ulcer agent made by Glaxo Wellcome of the UK.

Investors have expressed concern at the threat to Losec from Pantoprazole, an ulcer agent manufactured by Germany's Byk Gulden, after Astra in June dropped legal action against Byk Gulden over alleged patent infringements. But Astra confounded the fears, claiming it had increased its market share in Germany in the second quarter from about 35 per cent to 37 per cent, while Pantoprazole sales were flat.

Sales of Pulmicort, its anti-asthma agent, rose from SKr2.2bn to SKr2.8bn, or 14 per cent excluding currency influences. The company expects to launch Pulmicort on the US market early in 1997.

Astra said sales of the beta-blocker Seloken, its largest product in the cardio-vascular range, progressed from SKr1.21bn to SKr1.24bn.

Earnings per share advanced from SKr7.40 to SKr7.83. Turnover was SKr19.1bn, against SKr18.1bn.

Mr Peter Abelin, a Stockholm-based pharmaceuticals analyst, said Astra would experience more sluggish growth in the medium term, but immediate prospects remained bright, especially in the US. "The underlying growth is still there in [Astra's] gastrointestinal, respiratory and cardiovascular areas," he said.


# UPM offers gloomy forecast for paper industry

By Greg McIvor

UPM-Kymmene of Finland, Europe's biggest forestry products group, yesterday doused hopes of a rapid recovery in the industry with a pessimistic forecast of demand in the paper and pulp sector next year.

Mr Juha Niemelä, UPM-Kymmene chief executive, said recent talk of an upswing in the sector in 1997, with some companies seeing prices as high as 1995 levels, was at best premature.

In Finnish newspaper interview, Mr Niemelä said he saw no indication of a "real resumption" of end-user purchases. The current higher level of demand, which has helped to lift pulp prices, was chiefly a reflection of stock adjustments by wholesalers, he said.

Analysts suggested Mr Niemelä's comments might have been triggered by a 150,000 tonne increase in global pulp inventories in July from 1.51bn tonnes the previous month.

"People are just getting a bit nervous as to what is happening. Demand is very low and destocking has stopped slightly," said one London-based paper and packaging industry analyst.

Mr Niemelä said the Finnish group's earnings in May to August had been weaker than in the four months before. He stressed that even if strong economic growth took hold in Europe, it would take several months for the trend to be reflected in forestry industry earnings. UPM-Kymmene's shares slipped FM0.70 to FM102.50 yesterday.

This assessment contrasts with the more optimistic tone struck by Swedish forestry concern Stora, when it reported half-year profits last week. Stora said the outlook for the rest of the year and 1997 was brighter across most of its product lines, aided by rising pulp prices and inventory stabilisation.

Mr Niemelä's concerns reflect falling prices of newsprint, UPM-Kymmene's second-biggest income earner. UK newsprint prices were reduced by 5 per cent in June, while similar falls are likely elsewhere in Europe. In the US, market rates for newsprint recently declined from $600 per tonne to $570.

Pulp derivatives, Page 24

# Start-up costs hit CME in first half

By Kevin Done, East Europe Correspondent

Central European Media Enterprises (CME), the US pioneer of private commercial television in central and eastern Europe, suffered a sharp fall in first-half operating profits, from $15.2m a year ago to $5.1m.

It blamed the impact of the costs of starting new commercial television operations in Romania and Slovenia in December.

Group turnover rose 31 per cent to $61.8m, supported by the new stations and by increased advertising revenues in the Czech Republic.

In the second quarter, operating profits fell from $10.8m to $7.7m, while turnover rose 35 per cent from $28.6m to $38.6m.

The group's net loss more than tripled from $1.4m to $4.6m in the second quarter, and jumped from $4.8m to $12.4m for the six months. This was blamed on the start-up of new operations, the development of additional licences, and continuing problems at two regional television affiliates in Berlin and Nuremburg, where the group's share of losses in the first half was $5.9m, against $6.8m.

Nova TV, the Czech television subsidiary in which CME recently raised its stake from 66 per cent to 88 per cent, lifted operating profit in the second quarter, from $14.5m to $16.2m, and from $21.4m to $22.1m in the first six months.

Turnover at Nova TV, which has quickly emerged as the main money-spinner in the CME group, climbed 11.9 per cent in the first six months, to $52.9m.

Mr Leonard Fertig, CME chief executive, said dividends from Nova TV on its profits to the end of 1995 had already covered 107 per cent of the group's original US dollar investment.

Nova TV began broadcasting in February 1994, and Mr Fertig said the new stations in Romania and Slovenia were showing "similar growth trends". The group was "on target" with its financial results and in its long-term efforts "to expand aggressively" in central and east Europe, Mr Fertig said.

CME is moving into Slovakia with the launch of the country's first national commercial television station on August 31. The channel will initially reach more than 53 per cent of the 5.4m population, with full coverage by 1998.

CME aimed to launch a national television station in Ukraine in early 1997, and was pursuing new licences in Hungary and Poland.

# At a loss to explain 10-year scandal

## Revelations of false accounting have badly shaken ISS

Arne Madsen, the stern-faced chairman of ISS, did not mince his words yesterday when describing the calamity that has hit the Danish company, the world's biggest contract cleaning group. The uncovering of systematic false accounting in its US business was "an earthquake of great dimensions", he said.

The affair has shaken ISS to its foundations. A year ago, it was riding high, a source of pride in Denmark. Being able to boast 120,000 employees worldwide and annual turnover approaching DKr15bn ($2.6bn), the man who had built up the company over 30 years, Mr Poul Andreassen, was preparing to step down in favour of a new chief executive, Mr Waldemar Schmidt.

Yesterday, Mr Andreassen quit the board and Mr Schmidt was left to explain the disaster that led ISS to report a net loss of DKr2bn for the first half of this year, and attempt to point the way back to recovery.

The losses were blamed on what ISS says was a deliberate and systematic falsification of accounts by finance staff in its US division, the group's biggest unit, that over 10 years led to repeatedly over-inflated profit statements.

"We are not talking about just a tweaking of the accounts," Mr Schmidt admitted grimly. "Our margins between 1989 and 1996 in the US were really about 0.5 per cent, not the 4 per cent reported. We lost about DKr1bn over the period."

The effects were laid out in painful detail in yesterday's half-year results statement. A total of $146m (DKr845m) in charges and provisions were made to cover the losses resulting from the affair in the US business.

A further DKr1.2bn in goodwill related to the US operation was written off in the profit and loss account. Shareholders' equity slumped from DKr2.6bn at the end of last year to DKr729m at the end of June.

ISS executives say the deception was painfully simple. It took place both in the core cleaning business of the division and in the self-insurance business ISS runs to cover its own employees. Auditors and group management were provided with false documentation about the state of the business.

"Fictitious account statements were made before and after audits to confirm the false documentation," said Mr Jorn Wendel Andersen, chief finance officer.

There are inevitably embarrassing questions raised about why group management and the auditors – Arthur Andersen, in New York – failed to spot the scandal. Mr Schmidt now admits that the ISS US unit was allowed extensive independence. "The view was it had the necessary resources to run its own internal controls," he says. A "forensic" audit is also under way to determine if there was negligence on the part of Arthur Andersen.

The big mystery is why the accounts were falsified. Mr Schmidt says that no evidence has so far been uncovered suggesting any of those involved made personal gains. "I can't exactly see what the motive was," he says.

Alan Harper

Poul Andreassen: forced to step down amid controversy

ISS says six people have been fired or suspended – including Mr Michael Dodas, the former chief of finance in the US division. The affair was uncovered by Mr Martin O'Hallaran in May this year, after he succeeded Mr Henrik Slipsager as chief executive of the US operations.

The Danish press has speculated that the affair might have been triggered by rivalry over the succession to Mr Andreassen as group chief executive. Mr Slipsager quit after losing that title to Mr Schmidt. But Mr Schmidt himself says he does not accept that theory. He also rejects the idea that severe pressure from group headquarters to increase performance may have been a factor.

Other speculation that the false accounting was prompted by profit-related pay schemes also does not stand up to scrutiny, ISS officials say.

Whatever the motive, ISS must now pick up the pieces. The main thrust is to sell a majority share of the ISS US unit to a partner by the end of the year. That way, ISS would keep an interest in the business but remove it from its own balance sheet, eliminating group debt and – it is hoped – restoring some health to the ISS shares.

Elsewhere in the world, Mr Schmidt struggled to emphasis yesterday, the business is in pretty good shape.

**Hugh Carnegy**

## NEWS DIGEST

# Akzo to sell salt units to Cargill

Akzo Nobel, the Dutch chemicals and drugs group, is to sell its North American salt business to Cargill, the financial and commodities group which is the biggest private company in the US. The price, yet to be agreed, is expected by analysts to be about equal to the business's average annual sales of $450m.

Akzo opted for the disposal after its Retsof salt mine in New York state had to be closed last year because of flooding. "It was clear then that we couldn't hold on to market leadership," Akzo said. It will retain the Retsof mine and distribution centre, while selling the Akzo Nobel Salt headquarters in Pennsylvania and all other operating locations in North America and the Caribbean. The business to be sold represents about 3 per cent of Akzo's turnover. There are still law suits pending against Akzo over Retsof, but there were no "major claims", the group said yesterday.

Mr Charles Sullivan, president of Cargill's salt division, said: "The acquisition will enable us to become a lower-cost producer." Cargill said that after the deal it could produce about 8m tonnes of rock salt, 2m tonnes of evaporated salt and 2.5m tonnes of soda salt a year. Mr Peter Blair, analyst at Salomon Brothers, estimated this would make Cargill the second-largest salt business in the US, behind Morton International.

Mr Blair said that when the Retsof mine closed, Akzo Nobel Salt had had to import salt from South America. "It became a distribution rather than a chemicals business. So it is a stand-alone business which is really non-core." The disposal was "a good move". It would approximately double the size of Cargill's salt business. The companies hope to close the deal this year. *Simon Kuper, Amsterdam*

# WestLB lifts operating profit

Westdeutsche Landesbank, Germany's biggest public sector bank, lifted operating profits 10 per cent to DM556m ($374.8m) in the first half of 1996. Mr Friedel Neuber, chairman, expected a "satisfactory result" for the full year, despite the costs of increasing its foreign currency business and preparing for European monetary union.

The bank increased net interest income 7 per cent to DM1.84bn. Commission income was up 21 per cent to DM351m, helped by the acquisition at the start of the year of Panmure Gordon, the UK stockbroker. Own-account trading profits were 28 per cent higher at DM184m. All comparisons are with half of the full 1995 result. On a calendar basis, first-half operating profits were up 18 per cent.

WestLB's costs rose 7.5 per cent to DM1.46bn, reflecting the Panmure acquisition, the consolidation of property activities and investment in computer systems. The bank raised risk provisions 11 per cent to DM391m. Reporting separately, Landesbank Rheinland-Pfalz, in which WestLB has a 37.5 per cent stake, said operating profits rose 16 per cent to DM149m in the first half, with net profits 26 per cent higher at DM76m. Mr Klaus Adam, chairman, said the full year's result would be higher than in 1995. *Andrew Fisher, Frankfurt*

# Lloyd's vehicle faces hostile bid

By Ralph Atkins, Insurance Correspondent

Lloyd's of London was poised last night for the first hostile takeover bid among the new generation of corporate capital providers that are increasingly dominating the insurance market.

The Benfield & Rea Investment Trust, an insurance investment vehicle chaired by Mr Matthew Harding, the millionaire backer of Chelsea Football Club, launched a surprise £79.6m ($124m) bid to acquire HCG, another Lloyd's investor. HCG had last month announced an agreed merger with rival CLM Insurance Fund.

The deal marked another stage in the transformation of Lloyd's which in the past three years has seen market forces increasingly determine which investors back its insurance syndicates.

Confidence that Lloyd's is about to pull off a dramatic turnround was lifted by the failure yesterday of a last-minute attempt by rebel Names to have the market's £3.2bn recovery plan declared illegal.

In spite of the defeat for the Paying Names Action Group – representing Names who paid bills and believe those who did not are benefiting unfairly – the recovery plan still faces a potentially destructive legal challenge in the US.

Names are individuals whose assets have traditionally supported the insurance market – but now face competing with limited liability corporate capital for places on the best syndicates.

Mr Harding, a successful reinsurance broker, said Lloyd's needed further fundamental change "before it can be considered to be out of intensive care".

The Benfield & Rea trust was set up last year to invest in Lloyd's companies and other insurance ventures which it believed were undervalued. It already owns 11.5 per cent of HCG, which this year has the capacity to underwrite business generating more than £120m in insurance premiums.

Last night HCG said it was "considering carefully" the latest offer and advised shareholders to take no action at this stage. However CLM said its proposed merger has the potential to deliver substantial value to HCG shareholders but would not comment on whether it might increase its bid.

On last night's closing prices, Benfield & Rea Trust's bid values HCG at 122p a share, with a cash alternative of 117p. CLM is offering 110p a share, valuing HCG at £71.8m. CLM is advised by BZW. Rea Brothers, the bank, and Phoenix Securities, the corporate finance boutique, are acting for the Benfield & Rea trust.

See Lex

# Scottish launches review of Southern

By Jane Martinson

Mr Mike Kinski has launched a fundamental review of Southern Water in his first week as chief executive, after its takeover by Scottish Power.

A "transition team" is to mount an efficiency drive in all areas of the water utility during a three-month review. The tactics represent a rerun of those employed at Manweb, the regional electricity company taken over by Scottish last year.

Mr Kinski, who spent nine months at Manweb masterminding its integration, said the review was going to "analyse each part of the business", but stressed he had an open mind.

The integration is expected to yield operating and capital expenditure savings. One analyst admitted that estimates of £40m-£45m savings in operating costs were "slightly finger-in-the-air", but the group "needed to achieve something in that region to justify the premium paid".

Tony Andrews

Sizing up the situation: Mike Kinski, who conducted a similar exercise at Manweb, says his mind is open regarding Southern

The multi-utility paid £1.67bn for Southern in June, a premium of 54 per cent to the level immediately before its original bid. A battle with Southern Electric, the regional electricity company, pushed up the price.

Most savings are expected to come from closing Southern's head office, combined with rationalisation of information technology and customer service.

Scottish has said there will be no compulsory redundancies, but the workforce of just over 4,000 is expected to be reduced.

The new management is also expected to beat expectations of about 15 per cent savings from Southern's £1.2bn five-year capital expenditure programme. Scottish has suggested it can make savings by changing the way the contracting business operates and taking on more risk.

The review involves 12 managers, mostly from Scottish, working alongside Southern counterparts at various departments. These managers will report directly to a small team led by Mr Kinski.

He said this week that priorities would be Southern's property portfolio and its local service provision.

Mr Kinski expects to spend two to three years at Southern.

# Brisk sales lift Haden MacLellan

By Tim Burt

Haden MacLellan Holdings, the diversified engineering group, yesterday announced a 40 per cent increase in first half profits, following strong demand for its paintshop equipment and industrial fasteners.

Shares in the company rose 9p to 90p – albeit in thin trading – after it reported pre-tax profits up from £4.5m ($7m) to £8.3m on sales of £278.4m (£215.4m) in the six months to June 30.

Mr Richard Taylor, group managing director, said it was a creditable performance, given the difficult conditions prevailing in some of its non-core manufacturing and distribution businesses.

While total operating profits rose from £5.2m to £7m, the manufacturing and distribution division reported flat gains of £2.1m (£2m).

Mr Taylor hinted that the group would probably sell all the non-core businesses in this area – including the Butterley bridges and cranes manufacturer – within the next two years.

So far this year, it has already sold its Brown Products packaging business and Duport Harper foundry – which together contributed about £600,000 to group profits.

The unexciting performance in the manufacturing and distribution division was offset by improved results in process engineering and fasteners.

Process engineering, dominated by Haden's paint finishing systems for the automotive industry, saw profits rise from £1.6m to £2.4m on sales of £129.3m (£72.5m).

Mr Taylor said the profits would have been better still had it not been higher-than-expected installation costs at one US motor plant.

Nevertheless, the group continued to enjoy the benefits of a £114m paint shop contract from Land Rover, which contributed £50m to first half sales.

A £27m stage payment on that contract left the group with £13.9m of cash, compared with £9.4m of borrowings last time.

The fasteners business, meanwhile, saw profits increase from £1.8m to £2.5m – including a £500,000 contribution from IFS, the fasteners manufacturer acquired earlier this year for £17m including debt.

Earnings per share rose from 2.7p to 3.7p and the interim dividend has been increased to 1.2p (1.1p).

## RESULTS

| | | Turnover (£m) | | Pre-tax profit (£m) | | EPS (p) | | Current payment (p) | Date of payment | Dividends Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Clarke (T) | 6 mths to June 30 | 25.6 | (22.5) | 0.580♠ | (0.278) | 2.94 | (1.27) | 1.628 | Sept 11 | 1.26 | - | 4.07 |
| Division | 6 mths to April 30 | 3.03 | (2.47) | 2.26L | (1.58L) | 5.2L | (3.8L) | nil | - | nil | nil | nil |
| Flextech | 6 mths to June 30 | 24.8 | (15.2) | 12.4 | (7.43L) | 10.04L† | (7.99L) | nil | - | nil | - | nil |
| Haden MacLellan | 6 mths to June 30 | 278.4 | (215.4) | 8.3 | (4.5) | 3.7 | (2.7) | 1.2 | Oct 31 | 1.1 | - | 2.4 |
| Ransom | 9 mths to June 30 | 9,208 | (8,586) | 1.479♥ | (850) | 17.9 | (13.5) | 3✱ | Oct 1 | 3 | - | 12 |
| Johnson Gp Cleaners | 6 mths to June 29 | 92.2 | (84.8) | 6.25♥ | (7.24) | 11.85 | (9.98) | 2.9 | Oct 2 | 2.8 | - | 11.2 |
| Lilleshall | 6 mths to June 29 | 57.7 | (53.1) | 1.56 | (2.1) | 2.53 | (4.02) | 1.85 | Nov 29 | 1.85 | - | 4.85 |
| Micro Focus | 6 mths to July 31 | 34.1 | (36.8) | 9.46L♠ | (4.47L♠) | 62.2L | (30L) | - | - | - | - | - |
| Microvitec | 6 mths to June 30 | 33.8 | (26.6) | 1.61 | (1.61) | 1.4 | (1.47) | 0.425 | Dec 2 | 0.4 | - | 0.85 |
| North Midland | 6 mths to June 30 | 15.6 | (17.8) | 0.543 | (0.69) | 3.84 | (4.62) | 0.75 | Sept 20 | 0.75 | - | 2 |
| Portmeirion Potts | 6 mths to June 30 | 15.2 | (14.4) | 2.52 | (2.18) | 15.85 | (13.93) | 3.3 | Oct 4 | 3 | - | 11.5 |
| Rea Brothers | 6 mths to June 30 | - | (-) | 1 | (0.677) | 1.62 | (1.16) | 0.5 | Oct 1 | 0.5 | - | 1 |
| Sea Containers ☆ | 6 mths to June 30 | 318.8 | (229.3) | 10.91 | (91.66) | 0.43 | (7.96) | - | - | - | - | - |

| Investment Trusts | | NAV (p) | | Attributable Earnings (£m) | | EPS (p) | | Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| English & Scottish | 6 mths to July 31 | 170.9 | (171.8) | 3.62 | (2.512) | 2.25 | (1.56) | 0.95 | Oct 17 | 0.85 | - | 2.55 |
| Foreign & Colonial | 6 mths to June 30* | 168.82 | (141.49) | 18.5 | (14.3) | 1.76 | (1.36) | 0.7 | Oct 4 | 0.63 | - | 2.07 |
| Life Offices Opps | 6 mths to June 30 | 48.08 | (-) | 0.004 | (-) | 0.02 | (-) | - | - | - | - | - |

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ✱Third quarterly; makes 9p to date. *Comparatives restated.

# Progress at Sea Containers

By Geoff Dyer

Sea Containers, the Bermuda-based shipping, ferries and hotels group, reported first half profits before tax of $10.9m.

This was down from last year's $91.7m. However, that included the $100m profit from the sale of Wightlink, the Isle of Wight ferry company. The ferry, train and port operations, which made a loss before exceptionals of $6.8m last time, recorded profits of $1.9m.

Hoverspeed defied cut-throat competition on the English Channel to record a sharp drop in first half losses.

The company increased passenger numbers by 51 per cent over the first half of last year.

The leisure division nearly doubled profits to $11.3m ($6.9m) helped by the acquisitions of Charleston Place and Reid's Hotel.

However, although profits from the container shipping business advanced to $44.8m ($40.2m) utilisation rates had fallen due to a spate of bankruptcies among its clients.

Earnings per share were $0.43 ($7.96).

# Fusion purchase boosts Fairey electronic side

By Tim Burt

Fairey Group, the specialist engineer, yesterday bought Fusion UV Systems of the US for $128m.

The deal is expected to make Fairey one of the world's leading manufacturers of ultraviolet curing systems, used mostly in coating optical fibres and semiconductor components.

Mr John Poulter, chief executive, said the purchase would be funded from borrowings – including $100m raised from private institutional placements in the US.

As Fusion has net assets of $25m, Fairey will write off $101m in goodwill, which will leave the company with negative shareholder funds. It said pro-forma net debt would be about £100m, with interest cover of more than 10 times.

The deal follows more than two years of talks between Fairey and Nasdaq-quoted Fusion Systems Corporation. The US group decided to sell its curing subsidiary and concentrate instead on large semiconductor projects.

Mr Poulter said Fairey planned to increase Fusion's international penetration and develop new applications.

Fusion last year reported pre-tax profits of $10m on sales of $51.1m.

Its UV technology is used by industrial equipment manufacturers to apply rapid-drying coatings to a wide range of components, including optical fibres, automobile glass and reflectors.

The deal follows January's $75m acquisition of Particle Measuring Systems, the privately-owned US contamination equipment maker, and last year's £18.2m takeover of Loma Group, another privately-owned detection equipment company.

Most industry analysts welcomed the latest deal and predicted the fall in shareholder funds would prove only temporary.

"It's a good strategic move because it gives Fairey increased exposure to the fast-growing optical fibre industry," said Ms Jillian McIntyre of Kleinwort Benson.

Fairey shares rose 15p to 641p.

# Flextech likely to secure BBC deal

By Raymond Snoddy

Flextech, the cable and satellite channel group, yesterday emerged as favourite to conclude a deal with the BBC.

It became clear that negotiations on a joint venture had been formally authorised by the BBC's board of governors.

The aim is to conclude a deal within the next three months to launch at least six BBC satellite channels under the Flextech umbrella.

The negotiations are being supported at the highest level at both the BBC and TCI, the Denver media group which owns 51 per cent of Flextech.

Mr John Malone, chief executive of TCI, the largest cable television operator in the US and also a significant programme provider through its Liberty Media company, is putting his weight behind the talks.

BBC plans for new satellite channels include: Showcase, a drama-based channel; Horizons, a natural history and world channel; Arena, an arts service; and Sportsview.

The corporation has not ruled out a deal with British Sky Broadcasting, the satellite venture controlled by Mr Rupert Murdoch's News Corporation. But Flextech, through TCI, holds two vital cards in any negotiations.

It is close to taking control of UK Gold, the cable and satellite channel based on the programme libraries of the BBC and Thames Television which, like the Financial Times, is a subsidiary of Pearson.

This would give it a licensing agreement, with six years to run, for the use of programmes from the BBC library.

TCI could also give BBC channels a vital entrée into the US cable market.

Flextech announced yesterday a slight deepening of its pre-tax losses to £7.9m (£7.4m), before exceptionals, for the six months to end-June.

During the period, Flextech strengthened its portfolio of channels by acquiring controlling interests in Home Shopping Network Direct and The Family Channel.

Total turnover increased to £24.8m, compared with £15.2m in 1995.

# GKN strengthens presence in China

GKN, the engineering group, is strengthening its presence in China with an increased stake in a joint venture with DEG of Germany, and a second joint venture.

GKN Automotive is to acquire an additional 15 per cent stake in Shanghai GKN Drive Shaft from DEG for DM14m ($9.4m) cash.

On completion of the deal, GKN will hold 40 per cent and DEG 10 per cent. The balance is held by Chinese partners, chiefly Shanghai Automotive.

GKN Automotive International, also part of GKN's automotive driveline division, is to form a second joint venture for the manufacture and assembly of constant velocity joints and driveshafts.

GKN's partner will be Jilin Jianbei Machinery Manufacturer, part of China North Industries Corporation (Norinco).

GKN will initially hold 50 per cent of the new company, Jilin GKN Norinco Drive Shaft, but has offered DEG a short-term option to purchase a 10 per cent stake.

# Clerical Medical to slash activities

By George Graham, Banking Correspondent

Clerical Medical, the mutual life assurance and pensions company, is to stop selling policies in the Americas and slash its operations in Asia in a bid to halve operating costs at its international division by 1998.

The company, which agreed in March to be taken over by Halifax Building Society for about £800m ($1.25m), does not disclose profits or operating costs, but said the restructuring could mean the loss of up to 132 jobs out of 400.

Clerical Medical's international operations accounted for £234.9m of £1.12bn new business last year, but have been under review.

The company said yesterday that it would increase the strength of its UK sales team to support sales to financial advisers in the UK offshore market as well as in continental Europe, the Middle East, Africa and Hong Kong.

Sales arrangements in North and South America will end, as will relationships with financial intermediaries in Asian markets such as the Philippines and Indonesia.

Customer service and administration will be centralised at Clerical Medical's Isle of Man office, with international sales and marketing concentrated in Bristol. The group has offices in Ireland, Luxembourg, South Africa and Hong Kong, and sells its policies through local distributors.

Mr Douglas Claisse, chairman of Clerical Medical International, said the group expected to see long term development in the five markets it had identified.

Clerical Medical officials said the restructuring was not connected to the takeover by Halifax, which is due to be completed at the end of the year if the High Court gives its approval.

# Plan for Micro Focus

By Paul Taylor

Micro Focus Group, a lossmaking computer software house, yesterday outlined its strategy for returning to profit as it unveiled higher interim pre-tax losses of £9.46m ($15m), after restructuring charges. This compared with £4.5m.

Mr Marcelo Gumucio, chief executive, said the company – which has faced big changes in its markets – had identified three market opportunities.

He said the group would concentrate first on helping its customers move mainframe software development projects to more productive workstations.

The second opportunity would be on the client/server market while the third would be the year 2,000 market opportunity arising from problems associated with the millennium date change.

Operating losses rose to £10.3m (£5.65m), on turnover which slipped from £36.8m to £34.1m.

RECRUITMENT

Employers are concerned about the shortage of qualified candidates, says **Roger Matthews**

# South Africa's quest for skills

The South African government, new to the pitfalls of democratic politics, is not yet shy of setting itself very ambitious public goals. The latest on the macro-economic front is the achievement by 2000 of a sustained 6 per cent annual growth rate.

As the economy accelerates towards this objective, a total of 833,000 new jobs will be created, says the government. In five years time, according to the blueprint, this should result in the economy producing 409,000 new jobs a year.

The country certainly needs the work. Unemployment, at 33 per cent of the workforce, is still increasing. Only a small percentage of the young people seeking work for the first time this year will find formal employment. On present trends, with the economy growing at only about 3 per cent, the jobless total would hit 37 per cent by 2000.

But the numerical simplicity of the government's targets masks a far more complex reality, which is in turn strongly affected by other official ambitions. It is not just jobs that are needed, especially for the unskilled, but an employment profile that more accurately reflects South Africa's racial composition. This has in turn to be achieved as South Africa comes to terms with rejoining the global economy, producing greater demand for skills, and a larger degree of international labour mobility.

Under apartheid, job functions were largely dictated by race. According to a survey carried out by the FSA-Contact, the human resources consultants, nearly 90 per cent of senior managers are white, a change of less than 1 per cent over the past three years. But this is predicted to drop to 79 per cent by 1999, with similar falls in the percentage of whites filling middle management and professional jobs.

FSA-Contact reports: "More companies this year feel that the formulation and implementation of an affirmative action policy is a strategic business decision. Previously, companies had stated that it was due to the desire to overcome the inequalities of the past."

More than 80 per cent of companies in South Africa now have affirmative action policies, although the level of commitment varies considerably. A study of 150 leading companies by the Graduate Business School at the University of Cape Town shows the top 10 per cent in terms of black recruitment have far outstripped the rest. The number of non-white managers in those 15 companies has more than doubled in four years, and should reach 35 per cent by the end of the decade. Others appear unlikely to reach, or have moved, much beyond 10 per cent.

Recruitment agencies also report that some 20 per cent of jobs they are trying to fill stem from employers insisting on a black person for a particular vacancy, although many have become more cautious about who they will accept.

"What has changed most over the past two years has been the absolutely chronic shortage of candidates of almost all types," says Mrs Janet Labberte of the DAV personnel group. "South Africa might have an enormous number of unemployed, but so many of them are unskilled."

In common with other agencies, DAV has had to spend more heavily on advertising and to intensify its headhunting activities. "In our executive division, where we are looking for people who can command a salary of over R300,000, ($66,225) the response is still not too bad. But we did not get a single reply for advertisements for a chemical process engineer with a salary of R100,000, plus a car," says Mrs Labberte. "When a good candidate does come along, a company can no longer afford to wait. They have to move fast and make an attractive offer."

This particularly applies to chartered accountants where the premium that can be asked by a well-qualified black professional with two years' experience is considerable. "A young white chartered accountant just out of articles would be looking to receive about R200,000 a year. A black person, at exactly the same stage, might receive R300,000," says Mrs Labberte. "But things will level out. This sort of difference will not last for ever."

But the emphasis is increasingly on quality, and there is a growing wariness about recruiting candidates who have moved jobs several times to take advantage of higher salaries. Mrs Debbie Bradley, divisional manager of Kessel Feinstein Consulting, says: "We would not interview someone with that sort of record unless it was clear they had very good reasons for moving."

Mr John Lambrou of Emmanuels staffing services believes that employers are most likely to retain the staff they have expensively acquired if the accompanying package is attractive. Most professionals would be looking for a competitive salary plus pension, medical insurance, car allowance, help with housing, and perhaps profit sharing, says Mr Lambrou. "What could be as important are the career development opportunities, and increasingly whether a company has an international dimension which could lead to overseas employment."

Emmanuels will not, however, recruit directly for overseas employment because the company does not believe it should assist talented people to leave the country. But just as the government is hoping that skilled people, black and white, will return home, so foreign companies are stepping up their recruitment drives in South Africa. With the rand having fallen by 20 per cent against the dollar since mid-February, the attractions of a salary denominated in a foreign currency become ever more obvious.

"There are quite a lot of people coming back, and quite a lot leaving," says Mrs Bradley. "For South Africans returning home there is no problem. But for others who, for example, come here on holiday, are impressed by the high standards of living and want to stay, it is much more difficult, mainly because the government has become very tough on work permits."

This appears to apply equally to blacks and whites. "We have had quite a number of applicants from other African countries, with good British qualifications, but we cannot utilise them because they have been unable to get permits to work here," she says.

Official figures for the past two years show a steady increase in emigration which outstrips by more than 50 per cent the number of immigrants. Britain, Australia, Canada, US and New Zealand, remain the top five destinations. And the reasons for leaving are typically those which afflict a society in transition, such as an increasing crime rate and a perceived decline in other standards, especially education. Informal surveys have also shown that young black graduates tend to be much more optimistic about career prospects than their white counterparts.

President Nelson Mandela tries his best to prevent this perception from gaining ground, repeatedly stressing that South Africa needs to retain skilled whites. Rapid economic growth which creates an array of new opportunities for black and white is the obvious solution. But even at 3 per cent annual growth, the effect of apartheid in denying skills to so many for so long is already obvious.

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## INTERNATIONAL CAPITAL MARKETS

# US prices slide on production figures

By Lisa Bransten in New York and Richard Lapper and Conner Middlemann in London

US Treasury prices slipped in quiet trading early yesterday as figures on industrial production showed unexpected strength, but yields continued to hold within ranges established since late July.

Near midday the benchmark 30-year Treasury was $\frac{3}{32}$ lower at 99¼ to yield 6.804 per cent. At the short end the two-year note was off $\frac{1}{32}$ at $100\frac{11}{32}$, yielding 5.973 per cent. The September 30-year bond was off $\frac{1}{32}$ at $110\frac{11}{32}$.

In the last week of July the long bond yield fell below 7 per cent as weak data suggested to many investors that the Federal Reserve would not raise interest rates this month and possibly not this year. Earlier this week the yield fell as low as 6.69 per cent, but in recent sessions it has climbed as new data cast uncertainty on the course of monetary policy for the rest of the year.

Yesterday, the trigger was the 0.1 per cent rise in industrial production. Although economists such as Ms Marilyn Schaja of Donaldson, Lufkin &Jenrette viewed the data as a sign of economic slowing, the market had expected a slight drop in manufacturing activity.

"Despite the unexpected increase in production last month, these data continue to indicate a weak manufacturing sector and one that is clearly dominated by growth in the auto and computer sectors," Ms Schaja said.

### GOVERNMENT BONDS

■ UK gilts recovered ground after Wednesday's decline responding positively to benign inflation data and shrugging off the early fall in the US Treasury market. Trading, however, was thin with only 26,000 September long gilt contracts exchanged at Liffe. The contract settled at $107\frac{21}{32}$, up $\frac{1}{16}$, nearly a quarter of a point off the day's high. In the cash market the benchmark 7½ per cent due 2006 gained $\frac{1}{16}$, its yield dropping by 1 basis point to 7.82.

Mr Andrew Roberts, of UBS, said the rise underlined the market's recent sensitivity to economic data, and would increase the importance of M4 data due next Tuesday and retail sales figures on Wednesday. Retail prices fell by 0.4 per cent in July, compared with a 0.5 per cent decline in the same month last year.

Arguing that the retail figures were "significantly better than expected", Mr Ian Shepherdson of HSBC Markets, said: "We suspect that the collapse in producer output price inflation is at last feeding through at the retail level. There is much more to come."

■ Most mainland European markets were closed, but a strong performance by the Swedish market, following news of a fall in inflation and a 50 point cut in the main deposit and lending rates, took the eye. Yields on the benchmark nine-year 6 per cent bond due 2005 fell 8 basis points to 8.10, while the yield spread over the German bund fell 7 points to 180. The Riksbank's cut left the deposit rate at 4.75 per cent and the lending rate at 6.25 per cent. Consumer price inflation fell 0.2 per cent in July giving a year-on-year rise of 0.6 per cent.

■ Japanese government bonds (JGBs) held on to most of their recent gains, supported by continued international buying and bullish technicals, but the September JGB future slipped slightly in London dealings yesterday, ending at 120.18, down 0.07 point from the Tokyo close.

Recent sessions have seen a surge in foreign buying, encouraged in part by Goldman Sachs' decision last week to increase its exposure to JGBs – raising the recommended bond holding in Japan from an underweight 17 per cent to an overweight 20 per cent against its neutral weighting of 18.5 per cent. Many international investors have been underweight or even had a zero weighting in JGBs. The September JGB future's recent break of technical resistance at 119.50 further boosted sentiment.

As a result, over the past week the yield on the benchmark 10-year bond has fallen to 3.16 per cent from about 3.25 per cent.

However, many observers are wary of predicting continued strong performance. Analysts at Sakura Finance warn that domestic investors' unwillingness to join the international buying spree indicates the rally may run out of steam.

"The fact that the Japanese have little interest in buying the market at current valuations is a major reason for our call to move to a sharply underweight position in JGBs," they write. "The balance of risk suggests that buying actively into the JGB market at current valuations looks bold at best, and potentially disastrous."

Mr Keith Edmonds, chief analyst at Industrial Bank of Japan, is similarly sceptical. "We still think the Japanese economy is recovering and the Bank of Japan will look for an opportunity to raise rates," he says. "The positive trend in JGBs is vulnerable to a reversal of sentiment on interest-rate policy, especially if the Tankan economic report [due to be released on August 28] is strong. Investors who have been in the market should take profits."

# Crédit Local issue disturbs Europe's torpor

By Antonia Sharpe

France's Crédit Local cut a lonely figure in the eurobond market yesterday, as the public holiday in many parts of Europe kept other borrowers and investors away.

Crédit Local's Y20bn 10-year dual-currency bond offering was targeted at investors in Tokyo who want to augment their returns by buying such bonds. The bond's coupon is denominated in Australian dollars, a currency Japanese investors are comfortable with because of the trade ties between the two countries.

The coupon of 4.28 per cent represents a considerable pick-up over the prevailing coupons on 10-year Japanese government bonds of about 3 per cent. However, the principal will be repaid in yen, limiting investors' currency exposure. Crédit Local is believed to have swapped the proceeds of the transaction back into French francs.

### INTERNATIONAL BONDS

Crédit Local's offering is the latest in a series of dual-currency bonds over the past year which have fed the demand from Japan for this type of financial instrument.

Syndicate managers expect eurobond issuance to remain subdued for the rest of the month, but say that activity will revive in early September. In spite of a recent flurry of 10-year dollar bonds, there is still investor demand for the paper.

The swift distribution of the World Bank's $1bn 10-year global bond offering on Wednesday caused the spread on the bonds to tighten in further yesterday, to 16 basis points from a launch level of 18 basis points.

Among the many names mentioned as possible issuers of 10-year dollar paper, Japan's Kansai Airports is believed to be close to launching a $200m offering. The 10-year bonds, which will be guaranteed by the government, are likely to be priced to yield 28 basis points over Treasuries.

● British Telecommunications yesterday announced it had agreed with the Treasury to repurchase two series of bonds, totalling £398.37, currently held by the government, writes Samer Iskandar. The transaction, to be settled on August 29, will result in the cancellation of the bonds, which pay coupons of 9¾ per cent and were meant to mature in 2001 and 2004. BT said it would pay a premium of about £60m, which will be charged to its profit and loss account for the quarter ending September 30.

BT said the transaction was commercially advantageous. It will be "financed with existing resources", and the company does not plan a re-financing on the markets in the near future.

# Speculation grows over pricing of index-linked Treasuries

By Samer Iskandar

As the launch date of index-linked US Treasury bonds draws nearer, speculation about the likely pricing is growing. Since index-linked bonds, by definition, eliminate inflation risk, the pricing of the new Treasuries relative to existing bonds of the same nature – in the UK, Canada and Australia – is mainly dependent on currency fluctuations, according to Bridgewater Associates, the US-based bond and currency traders.

Real yields in these markets range from 3.5-5 per cent. On the basis of an analysis of the way these countries' currencies have traded against the US dollar, Bridgewater estimates a "fair value" real yield for US index-linked Treasuries of between 3.5-3.75 per cent.

"A US real yield that is much lower than 4 per cent would present a serious anomaly," Bridgewater said.

A real US yield of 3 per cent, for example, would reflect an expected 30 per cent devaluation in the Canadian dollar over the next 10 years. But since the Canadian currency has never diverged by more than 15 per cent against the US dollar, this is unlikely.

When the same logic is applied to Australian real yields, Bridgewater concludes that "a US real yield of lower than 4 per cent would imply a fairly serious decline in the real [value of the] Aussie" dollar.

The final structure of index-linked Treasuries will be announced in September, and the launch of the first issue – possibly with a 10-year maturity – is likely early next year.

# Economy fears hit Romania's first eurobonds

By Virginia Marsh in Budapest

The value of Romania's debut eurobond offering, launched in June, has fallen considerably over the past month, in part because of investors' concern at the country's weakening economic situation.

The $225m three-year eurobond offering had been heavily oversubscribed at the launch, which caused the yield spread on the bonds to tighten to about 270 basis points over US Treasuries from a launch spread of 305 basis points.

However, the spread has risen sharply in recent weeks because of worries about Romania's economy. Yesterday morning, the bonds were quoted at a spread of 313 basis points over US Treasuries, before falling back to 310 basis points later in the day.

Traders said that investors' confidence had been undermined by the deteriorating macro-economic situation and the continuing overvaluation of the local currency, and by recent acute shortages of foreign exchange which had sharply reduced energy imports.

Earlier this month, the government – which faces an election in November – introduced stringent regulations requiring some companies to surrender export earnings to help pay for energy imports after domestic shortages.

The slump in energy imports and the interruption of supplies to industry, as well as the overvalued leu, contributed to a 10 per cent drop in exports in the first half.

Inflation has also accelerated, jumping to 7.5 per cent in July, its highest monthly rate for two years, and to a year-on-year rate of 40.3 per cent. Some economists fear inflation could rise to 50 per cent by the end of the year, up from 27.8 per cent in 1995.

As late as June, the finance minister insisted the government's target of 20 per cent for the year to December could still be met, despite sharp energy price increases.

To help ease the energy and foreign exchange shortages, the finance ministry is issuing dollar-denominated domestic bonds, its first issue in hard currency. Officials announced yesterday that a first bond, placed with local banks, had raised $109m, a little over the $100m planned. The bond is for 366 days and is priced at 7.1 per cent, or 250 basis points above Libor.

It also hopes to raise a further $20m-$50m by next month with an issue aimed primarily at small, domestic investors.

Traders said the yield spread on the eurobonds had also widened as a result of selling by investors who had bought with the intention of making a quick profit, and because of the increased supply of Romanian debt. The National Bank of Romania has announced plans to launch a syndicated loan later this month.

Bankers said they were confident the syndicated loan would be successful. The $250m loan, which is being jointly arranged by ABN Amro and Citibank, is for three years and is priced at a margin of 187.25 basis points above Libor.

That compares with pricing of 175 basis points over Libor on NBR's last syndicated loan in April, which raised $90m.

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| Italy | | 9.500 | 02/06 | 0.0000 | - | 0.00† | 9.22 | 9.11 |
| Japan | No 140 | 6.600 | 06/01 | 119.3637 | -0.040 | 2.17 | 2.21 | 2.29 |
| | No 182 | 3.000 | 09/05 | 98.8712 | +0.100 | 3.16 | 3.19 | 3.23 |
| Netherlands | | 8.500 | 06/06 | 115.8000 | +0.050 | 6.26 | 6.27 | 6.47 |
| Portugal | | 11.875 | 02/05 | 0.0000 | - | 0.00 | 8.65 | 8.70 |
| Spain | | 8.800 | 04/06 | 0.0000 | - | 0.00 | 8.85 | 8.80 |
| Sweden | | 6.000 | 02/05 | 87.4262 | +0.440 | 8.10 | 8.22 | 8.21 |
| UK Gilts | | 8.000 | 12/00 | 103-12 | +1/32 | 7.07 | 7.06 | 7.14 |
| | | 7.500 | 12/06 | 97-24 | +2/32 | 7.82 | 7.79 | 7.89 |
| | | 9.000 | 10/08 | 108-03 | +1/32 | 7.95 | 7.91 | 8.01 |
| US Treasury * | | 7.000 | 07/06 | 102-26 | -9/32 | 6.58 | 6.53 | 6.81 |
| | | 6.750 | 08/26 | 99-07 | -11/32 | 6.81 | 6.81 | 6.96 |
| ECU (French Govt) | | 7.500 | 04/05 | 0.0000 | - | 0.00 | 6.78 | 6.94 |

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

### US INTEREST RATES

| Latest | | Treasury Bills and Bond Yields | | | |
|---|---|---|---|---|---|
| | | One month | - | Two year | 5.97 |
| Prime rate | 8¼ | Two month | - | Three year | 6.16 |
| Broker loan rate | 7 | Three month | 5.16 | Five year | 6.35 |
| Fed.funds | 5⅛ | Six month | 5.32 | 10-year | 6.59 |
| Fed.funds at intervention | - | One year | 5.60 | 30-year | 6.80 |

### BOND FUTURES AND OPTIONS

**France**

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FF500,000 (Aug 14)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 123.42 | 123.54 | +0.12 | 123.58 | 123.28 | 58,098 | 189,570 |
| Dec | 122.16 | 122.24 | +0.08 | 122.28 | 122.10 | 2,882 | 39,773 |
| Mar | 122.00 | 122.10 | +0.10 | 122.06 | 122.00 | 412 | 7,709 |

■ LONG TERM FRENCH BOND OPTIONS (MATIF)(Aug 14)

| Strike Price | CALLS Sep | Oct | Dec | PUTS Sep | Oct | Dec |
|---|---|---|---|---|---|---|
| 120 | - | - | - | - | 0.16 | - |
| 121 | - | - | - | 0.02 | 0.29 | 0.73 |
| 122 | 1.56 | - | 1.30 | 0.05 | 0.60 | - |
| 123 | 0.70 | 0.36 | 0.80 | 0.16 | - | - |
| 124 | 0.16 | - | 0.46 | - | - | - |

Est. vol. total, Calls 2,572 Puts 5,335. Previous day's open int., Calls 134,846 Puts 149,676.

**Germany**

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 97.80 | 97.81 | +0.05 | 97.88 | 97.66 | 54581 | 235780 |
| Dec | 96.89 | 96.94 | +0.05 | 96.95 | 96.84 | 1585 | 16760 |

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

| Strike Price | CALLS Sep | Oct | Nov | Dec | PUTS Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|
| 9750 | 0.41 | 0.32 | 0.55 | 0.74 | 0.10 | 0.86 | 1.11 | 1.30 |
| 9800 | 0.13 | 0.18 | 0.37 | 0.54 | 0.32 | 1.24 | 1.43 | 1.60 |
| 9850 | 0.03 | 0.10 | 0.24 | 0.40 | 0.72 | 1.66 | 1.80 | 1.96 |

Est. vol. total, Calls 5504 Puts 5759. Previous day's open int., Calls 167989 Puts 191115

**Italy**

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 116.39 | 116.52 | +0.18 | 116.66 | 116.36 | 8917 | 61135 |
| Dec | 115.90 | 115.85 | +0.18 | 115.90 | 115.80 | 395 | 5405 |

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

| Strike Price | CALLS Sep | Dec | PUTS Sep | Dec |
|---|---|---|---|---|
| 11650 | 0.41 | 1.40 | 0.39 | 2.05 |
| 11700 | 0.20 | 1.17 | 0.66 | 2.32 |
| 11750 | 0.08 | 0.97 | 1.06 | 2.62 |

Est. vol. total, Calls 4061 Puts 584. Previous day's open int., Calls 85381 Puts 108241

**Spain**

■ NOTIONAL SPANISH BOND FUTURES (MEFF) (Aug 14)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 100.20 | 100.46 | +0.28 | 100.57 | 100.20 | 47,072 | 50,719 |
| Dec | 100.06 | 100.01 | +0.31 | 100.08 | 100.01 | 1,083 | 1,040 |

**UK**

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 107-19 | 107-21 | +0-02 | 107-27 | 107-16 | 26337 | 149496 |
| Dec | 106-28 | 106-29 | +0-02 | 106-31 | 106-28 | 1046 | 1514 |

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

| Strike Price | CALLS Sep | Oct | Nov | Dec | PUTS Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|
| 107 | 0-52 | 0-53 | 1-11 | 1-28 | 0-10 | 0-59 | 1-17 | 1-34 |
| 108 | 0-15 | 0-28 | 0-47 | 0-63 | 0-37 | 1-34 | 1-53 | 2-05 |
| 109 | 0-02 | 0-13 | 0-27 | 0-41 | 1-24 | 2-19 | 2-33 | 2-47 |

Est. vol. total, Calls 2079 Puts 1304. Previous day's open int., Calls 34375 Puts 29343

**Ecu**

■ ECU BOND FUTURES (MATIF) ECU100,000 (Aug 14)

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 91.88 | 92.02 | +0.14 | 92.00 | 91.88 | 1,317 | 8,147 |
| Dec | 90.10 | 90.20 | +0.12 | 90.18 | 90.08 | 430 | 887 |

**US**

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 111-04 | 110-17 | -0-16 | 111-07 | 110-23 | 260,932 | 439,182 |
| Dec | 110-18 | 110-10 | -0-16 | 110-27 | 110-08 | 2,650 | 29,962 |
| Mar | - | 110-00 | -0-16 | - | 109-25 | 110 | 4,254 |

**Japan**

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

| | Open | Close | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 120.24 | | | 120.25 | 120.16 | 2781 | n/a |
| Dec | 119.01 | | | 119.04 | 118.94 | 1782 | n/a |

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

### FT-ACTUARIES FIXED INTEREST INDICES

| Price indices UK Gilts | Thu Aug 15 | Day's change % | Wed Aug 14 | Accrued interest | xd adj. ytd | | Low coupon yield Aug 15 | Aug 14 | Yr. ago | Medium coupon yield Aug 15 | Aug 14 | Yr. ago | High coupon yield Aug 15 | Aug 14 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 Up to 5 years (22) | 121.88 | 0.03 | 122.16 | 2.35 | 6.17 | 5 yrs | 7.21 | 7.21 | 7.85 | 7.27 | 7.28 | 7.85 | 7.34 | 7.34 | 7.95 |
| 2 5-15 years (20) | 147.61 | 0.03 | 148.01 | 2.57 | 6.83 | 15 yrs | 8.06 | 8.05 | 8.24 | 8.06 | 8.06 | 8.27 | 8.12 | 8.12 | 8.36 |
| 3 Over 15 years (8) | 161.09 | 0.02 | 162.39 | 2.00 | 8.73 | 20 yrs | 8.16 | 8.15 | 8.26 | 8.14 | 8.14 | 8.29 | 8.19 | 8.18 | 8.38 |
| 4 Irredeemables (6) | 185.11 | -0.11 | 185.32 | 3.05 | 7.36 | Irred.† | 8.21 | 8.20 | 8.34 | | | | | | |
| 5 All stocks (56) | 142.33 | 0.02 | 142.84 | 2.45 | 6.96 | | | | | | | | | | |

| Index-linked | | | | | | | Inflation 5% Aug 15 | Aug 14 | Yr. ago | Inflation 10% Aug 15 | Aug 14 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 6 Up to 5 years (1) | 199.66 | 0.03 | 199.59 | 2.71 | 4.43 | Up to 5 yrs | 2.06 | 2.55 | 3.41 | 0.32 | 1.04 | 1.79 |
| 7 Over 5 years (11) | 188.97 | -0.04 | 189.06 | 0.85 | 3.48 | Over 5 yrs | 3.66 | 3.72 | 3.62 | 3.43 | 3.52 | 3.44 |
| 8 All stocks (12) | 189.09 | -0.04 | 189.17 | 0.89 | 3.44 | | | | | | | |

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

### FT FIXED INTEREST INDICES

| | Aug 15 | Aug 14 | Aug 13 | Aug 12 | Aug 9 | Yr ago | High* | Low* |
|---|---|---|---|---|---|---|---|---|
| Govt. Secs. (UK) | 93.11 | 93.19 | 93.66 | 93.46 | 93.18 | 93.04 | 96.34 | 91.59 |
| Fixed interest | 113.39 | 113.43 | 113.59 | 113.68 | 113.29 | 111.51 | 115.23 | 110.74 |

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

### GILT EDGED ACTIVITY INDICES

| | Aug 14 | Aug 13 | Aug 12 | Aug 9 | Aug 8 |
|---|---|---|---|---|---|
| Gilt Edged bargains | 75.0 | 81.6 | 67.9 | 78.0 | 73.4 |
| 5-day average | 75.2 | 75.6 | 75.3 | 78.6 | 79.8 |

## FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on August 15

| | Issued | Bid | Offer | Chg | Yield |
|---|---|---|---|---|---|
| **U.S. DOLLAR STRAIGHTS** | | | | | |
| Abbey Natl Treasury 6½ 03 | 1000 | 96 | 96¼ | -¼ | 6.87 |
| ABN Amro Bank 7¼ 05 | 1000 | 100½ | 100⅞ | -¼ | 7.30 |
| African Dev Bk 7⅜ 23 | 500 | 97⅝ | 98 | -¼ | 7.58 |
| Sweden 8 97 | 2500 | 105 | 105⅛ | | 3.72 |
| United Kingdom 7⅛ 97 | 5500 | 104 | 104⅛ | | 3.65 |
| Volkswagen Intl Fin 7 03 | 1000 | 103⅞ | 104⅛ | -⅛ | 6.27 |
| World Bank 0 15 | 2000 | 31⅞ | 32⅜ | +⅜ | 6.09 |
| Abbey Natl Treasury 8 03 £ | 1000 | 100¾ | 101 | -⅛ | 7.84 |
| British Land 8⅞ 23 £ | 150 | 91¼ | 91½ | | 10.04 |
| Denmark 6¾ 98 £ | 800 | 100¼ | 100⅜ | | 6.61 |
| Depfa Finance 7⅛ 03 £ | 500 | 95⅝ | 95⅞ | -⅛ | 7.93 |
| [illegible] | | | | | |

STRAIGHT BONDS / FLOATING RATE NOTES / CONVERTIBLE BONDS: [illegible]

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## UK GILTS PRICES

| | Notes | Yield Int | Red | Price £ | + or - | 52 week High | Low |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

### Other Fixed Interest

| | Notes | Yield Int | Red | Price £ | + or - | 52 week High | Low |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

## CURRENCIES AND MONEY

MARKETS REPORT

# US data fails to shake market's holiday mood

By Richard Adams

Conflicting economic signals in the US failed to stir European currency markets, which were quiet because of holidays in many countries.

The message from higher US weekly unemployment claims conflicted with rising industrial output and a falling Philadelphia Fed business outlook index, leaving traders unsure of the dollar's direction.

Against the D-Mark yesterday the dollar was calm, ending the day in London at DM1.4856 compared to its Wednesday closing price of DM1.4834. Against the yen it bumped up towards the Y108 level, ending at Y107.925 from Y107.810. It climbed half a centime against the French franc, to FFr5.0759 from FFr5.0701.

By early afternoon trading in New York, the dollar had slipped against the D-Mark and the Swiss franc.

Analysts in London and New York said most attention was on next week's two important monetary policy meetings to give the markets impetus.

In Washington the Federal Reserve's Open Market Committee (FOMC) meets on Tuesday, and the Bundesbank council will hold its first council meeting after its summer break on Thursday.

While some analysts said there is still a chance of a US rate rise, the Bundesbank is expected to ease its repurchase rate.

But much of Europe was on holiday yesterday, including France, the focus of domestic activity over the franc. The movements that were detected on the foreign exchanges were exaggerated by the lack of volume.

■ Pound in New York

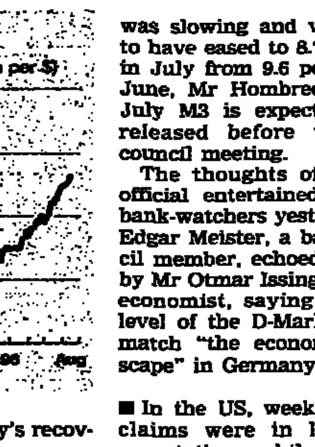
| Aug 15 | —Latest— | — Prev. close — |
|---|---|---|
| £ spot | 1.5510 | 1.5495 |
| 1 mth | 1.5506 | 1.5490 |
| 3 mth | 1.5499 | 1.5484 |
| 1 yr | 1.5488 | 1.5460 |

The D-Mark was becalmed except for a slight fall against the Swedish kroner, after the Swedish central bank again cut its interest rates following good inflation data. The D-Mark ended at SKr4.462, from SKr4.478.

Elsewhere, the South African rand equalled its all-time low against the dollar, falling to R4.5650 in intra-day trading before recovering to R4.5625 in London, while in Shanghai the Chinese yuan climbed to a 12-month high against the dollar after improved export news.

■ Westdeutsche Landesbank chief economist Mr Ulrich Hombrecher yesterday joined those expecting the Bundesbank to cut its key money market rate, the repo, by 5-7 basis points.

A cut in the repo rate is thought likely to bring down the value of the D-Mark, helping the economy's recovery and easing pressure on the currencies of Germany's European partners.




Mr Hombrecher said he expected the repo rate, which has been fixed at 3.30 per cent since early February, would be cut by up to 25 basis points by the end of the third quarter.

M3 money supply growth was slowing and was likely to have eased to 8.7 per cent in July from 9.6 per cent in June, Mr Hombrecher said. July M3 is expected to be released before the next council meeting.

The thoughts of another official entertained Bundesbank-watchers yesterday. Mr Edgar Meister, a bank council member, echoed remarks by Mr Otmar Issing, its chief economist, saying that the level of the D-Mark did not match "the economic landscape" in Germany.

■ In the US, weekly jobless claims were in line with expectations while the Federal Reserve's report on industrial production was stronger than expected.

The data did little to alter expectations for no change in US interest rates at the FOMC meeting next week.

■ China's yuan closed at a year-high of Yn8.3069 against the dollar yesterday, up from Yn8.3076, on the Shanghai-based interbank foreign exchange market. The yuan has repeatedly set year-high levels in the past few weeks on improved export volume.

According to customs figures, China's trade surplus rose to $2.1bn in the first seven months of 1996, from $880m in the first six.

■ Sweden's central bank, the Riksbank, lived up to market expectations yesterday when it lowered its deposit and lending rates by 50 basis points, to 4.75 per cent and 6.25 per cent respectively.

The cut followed news of annual inflation of 0.6 per cent.

■ OTHER CURRENCIES

| Aug 15 | £ | $ |
|---|---|---|
| Czech Rp | 41.3206 - 41.3729 | 26.6550 - 26.6750 |
| Hungary | 233.615 - 233.613 | 150.700 - 150.750 |
| Iran | 4633.00 - 4650.00 | 3000.00 - 3000.00 |
| Kuwait | 0.4641 - 0.4645 | 0.2994 - 0.2995 |
| Poland | 4.2310 - 4.2418 | 2.7290 - 2.7349 |
| Russia | 8209.86 - 8218.75 | 5296.00 - 5298.00 |
| U.A.E. | 5.6933 - 5.6970 | 3.6726 - 3.6731 |

## POUND SPOT FORWARD AGAINST THE POUND

| Aug 15 | | Closing mid-point | Change on day | Bid/offer spread | Day's Mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 16.2102 | +0.025 | 024 - 179 | 16.2948 | 16.2011 | 16.179 | 2.3 | 16.104 | 2.6 | - | - | 105.3 |
| Belgium | (BFr) | 47.4794 | +0.0899 | 361 - 226 | 47.5820 | 47.4230 | 47.3844 | 2.4 | 47.1944 | 2.4 | 46.4044 | 2.3 | 107.2 |
| Denmark | (DKr) | 8.9090 | +0.0124 | 043 - 136 | 8.9278 | 8.9042 | 8.8963 | 1.9 | 8.875 | 1.5 | 8.7671 | 1.6 | 107.9 |
| Finland | (FM) | 6.9221 | +0.0195 | 145 - 296 | 6.9410 | 6.9110 | 6.9177 | 0.8 | 6.9097 | 0.7 | - | - | 86.0 |
| France | (FFr) | 7.8707 | +0.0096 | 670 - 744 | 7.8940 | 7.8845 | 7.8585 | 1.9 | 7.8357 | 1.8 | 7.7424 | 1.6 | 108.5 |
| Germany | (DM) | 2.3036 | +0.0038 | 025 - 046 | 2.3098 | 2.3015 | 2.2992 | 2.3 | 2.2901 | 2.3 | 2.2513 | 2.3 | 109.3 |
| Greece | (Dr) | 368.390 | +0.544 | 142 - 518 | 369.210 | 366.317 | - | - | - | - | - | - | 67.2 |
| Ireland | (I£) | 0.9657 | +0.0019 | 650 - 663 | 0.9665 | 0.9635 | 0.9652 | 0.6 | 0.964 | 0.7 | 0.9595 | 0.6 | 99.3 |
| Italy | (L) | 2348.00 | -5.04 | 865 - 914 | 2364.53 | 2346.80 | 2353.55 | -2.8 | 2363.4 | -2.6 | 2395.9 | -2.0 | 76.5 |
| Luxembourg | (LFr) | 47.4794 | +0.0899 | 361 - 226 | 47.5820 | 47.4230 | 47.3844 | 2.4 | 47.1944 | 2.4 | 46.4044 | 2.3 | 107.2 |
| Netherlands | (Fl) | 2.5845 | +0.0056 | 834 - 855 | 2.5913 | 2.5831 | 2.5784 | 2.8 | 2.5664 | 2.8 | 2.5187 | 2.5 | 107.4 |
| Norway | (NKr) | 9.9480 | +0.0047 | 396 - 563 | 9.9773 | 9.9201 | 9.9395 | 1.0 | 9.9225 | 1.0 | 9.839 | 1.1 | 98.6 |
| Portugal | (Es) | 236.312 | +0.21 | 096 - 528 | 237.009 | 236.042 | 236.737 | -2.2 | 237.842 | -2.3 | - | - | 95.7 |
| Spain | (Pta) | 194.998 | -0.212 | 860 - 116 | 195.735 | 194.861 | 195.248 | -1.6 | 195.763 | -1.6 | 197.163 | -1.1 | 80.7 |
| Sweden | (SKr) | 10.2839 | -0.0131 | 760 - 918 | 10.3141 | 10.2751 | 10.2842 | 0.0 | 10.2843 | 0.0 | 10.2822 | 0.0 | 88.9 |
| Switzerland | (SFr) | 1.8691 | +0.0015 | 680 - 702 | 1.8791 | 1.8675 | 1.8641 | 3.2 | 1.8533 | 3.4 | 1.8051 | 3.4 | 113.2 |
| UK | (£) | - | - | - | - | - | - | - | - | - | - | - | 84.8 |
| Ecu | - | 1.2230 | -0.0003 | 223 - 238 | 1.2274 | 1.2220 | 1.2217 | 1.3 | 1.2188 | 1.4 | 1.2054 | 1.4 | - |
| SDR† | - | 1.062200 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 1.5485 | +0.0001 | 479 - 490 | 1.5527 | 1.5474 | - | - | - | - | - | - | - |
| Brazil | (R$) | 1.5703 | +0.0004 | 696 - 709 | 1.5724 | 1.5680 | - | - | - | - | - | - | - |
| Canada | (C$) | 2.1351 | +0.0043 | 342 - 359 | 2.1362 | 2.1287 | 2.1344 | 0.4 | 2.1307 | 0.8 | 2.1227 | 0.6 | 83.5 |
| Mexico | (New Peso) | 11.6456 | +0.0364 | 389 - 527 | 11.6630 | 11.6191 | - | - | - | - | - | - | - |
| USA | ($) | 1.5506 | +0.0001 | 502 - 510 | 1.5530 | 1.5486 | 1.5501 | 0.4 | 1.5494 | 0.3 | 1.5501 | 0.0 | 98.2 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.9858 | -0.0037 | 848 - 869 | 1.9887 | 1.9801 | 1.9884 | -1.5 | 1.9934 | -1.5 | 2.0187 | -1.7 | 91.6 |
| Hong Kong | (HK$) | 11.9928 | +0.002 | 889 - 967 | 12.0104 | 11.9776 | 11.9847 | 0.8 | 11.9731 | 0.7 | 11.9633 | 0.3 | - |
| India | (Rs) | 55.2015 | +0.0036 | 771 - 258 | 55.5370 | 54.7290 | - | - | - | - | - | - | - |
| Israel | (Shk) | 4.8954 | +0.0115 | 865 - 043 | 4.9046 | 4.8495 | - | - | - | - | - | - | - |
| Japan | (Y) | 167.348 | +0.19 | 287 - 410 | 167.760 | 167.265 | 166.524 | 5.2 | 165.134 | 5.3 | 158.719 | 5.2 | 134.5 |
| Malaysia | (M$) | 3.8630 | -0.006 | 612 - 648 | 3.8690 | 3.8586 | - | - | - | - | - | - | - |
| New Zealand | (NZ$) | 2.2556 | -0.0041 | 542 - 570 | 2.2616 | 2.2533 | 2.2606 | -2.7 | 2.27 | -2.6 | 2.3039 | -2.1 | 107.6 |
| Philippines | (Peso) | 40.6180 | +0.0026 | 532 - 827 | 40.6838 | 40.5465 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 5.8157 | +0.0003 | 140 - 173 | 5.8245 | 5.8085 | - | - | - | - | - | - | - |
| Singapore | (S$) | 2.1895 | +0.0002 | 881 - 908 | 2.1938 | 2.1860 | - | - | - | - | - | - | - |
| South Africa | (R) | 7.0746 | +0.012 | 689 - 803 | 7.0995 | 7.0391 | - | - | - | - | - | - | - |
| South Korea | (Won) | 1273.51 | +0.08 | 302 - 399 | 1275.32 | 1272.02 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 42.8183 | +0.0004 | 995 - 370 | 42.8784 | 42.5586 | - | - | - | - | - | - | - |
| Thailand | (Bt) | 39.2209 | +0.0405 | 030 - 387 | 39.2750 | 39.1740 | - | - | - | - | - | - | - |

† Rates for Aug 14. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Aug 15 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | J.P. Morgan index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 10.4541 | +0.0154 | 518 - 564 | 10.4860 | 10.4510 | 10.4346 | 2.2 | 10.3926 | 2.4 | 10.2091 | 2.3 | 105.2 |
| Belgium | (BFr) | 30.6200 | +0.056 | 000 - 400 | 30.6970 | 30.5950 | 30.585 | 2.2 | 30.45 | 2.2 | 29.91 | 2.3 | 106.9 |
| Denmark | (DKr) | 5.7455 | +0.0076 | 440 - 470 | 5.7607 | 5.7410 | 5.738 | 1.6 | 5.721 | 1.7 | 5.652 | 1.6 | 107.2 |
| Finland | (FM) | 4.4641 | +0.0122 | 604 - 678 | 4.4804 | 4.4603 | 4.4576 | 1.7 | 4.4456 | 1.7 | 4.4001 | 1.4 | 85.4 |
| France | (FFr) | 5.0759 | +0.0068 | 748 - 770 | 5.0910 | 5.0735 | 5.069 | 1.6 | 5.0547 | 1.7 | 4.9869 | 1.8 | 108.3 |
| Germany | (DM) | 1.4856 | +0.0022 | 853 - 859 | 1.4902 | 1.4842 | 1.4831 | 2.0 | 1.4773 | 2.2 | 1.4491 | 2.5 | 108.8 |
| Greece | (Dr) | 237.540 | +0.335 | 480 - 600 | 238.320 | 236.370 | 239.215 | -8.5 | 242.565 | -8.5 | 256.54 | -8.0 | 66.9 |
| Ireland | (I£) | 1.6056 | -0.0028 | 051 - 066 | 1.6088 | 1.6035 | 1.6063 | -0.4 | 1.6072 | -0.4 | 1.5987 | 0.4 | - |
| Italy | (L) | 1514.25 | -3.35 | 390 - 460 | 1526.19 | 1513.29 | 1519 | -3.8 | 1527.15 | -3.4 | 1549.9 | -2.4 | 75.8 |
| Luxembourg | (LFr) | 30.6200 | +0.056 | 000 - 400 | 30.6970 | 30.5950 | 30.567 | 2.1 | 30.4605 | 2.1 | 29.98 | 2.1 | 106.9 |
| Netherlands | (Fl) | 1.6668 | +0.0022 | 665 - 670 | 1.6721 | 1.6655 | 1.6635 | 2.4 | 1.6564 | 2.5 | 1.6246 | 2.5 | 106.9 |
| Norway | (NKr) | 6.4156 | +0.0026 | 118 - 193 | 6.4370 | 6.3980 | 6.4127 | 0.6 | 6.4071 | 0.5 | 6.3706 | 0.7 | 97.7 |
| Portugal | (Es) | 152.400 | +0.125 | 300 - 500 | 152.850 | 152.290 | 152.715 | -2.5 | 153.305 | -2.4 | 155.45 | -2.0 | 95.6 |
| Spain | (Pta) | 125.750 | -0.145 | 700 - 800 | 126.090 | 125.680 | 126 | -2.4 | 126.43 | -2.2 | 127.97 | -1.8 | 80.3 |
| Sweden | (SKr) | 6.6322 | -0.0089 | 288 - 356 | 6.6532 | 6.6278 | 6.6313 | 0.2 | 6.6337 | -0.1 | 6.6067 | 0.4 | 88.2 |
| Switzerland | (SFr) | 1.2054 | +0.0009 | 050 - 058 | 1.2126 | 1.2050 | 1.2019 | 3.5 | 1.1944 | 3.7 | 1.1609 | 3.7 | 112.7 |
| UK | (£) | 1.5506 | +0.0001 | 502 - 510 | 1.5530 | 1.5486 | 1.5501 | 0.4 | 1.5494 | 0.3 | 1.5501 | 0.0 | 84.4 |
| Ecu | - | 1.2680 | +0.0004 | 676 - 683 | 1.2688 | 1.2631 | 1.2688 | -0.7 | 1.2704 | -0.8 | 1.2792 | -0.9 | - |
| SDR† | - | 0.68810 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 0.9998 | - | 995 - 997 | 0.9999 | 0.9994 | - | - | - | - | - | - | - |
| Brazil | (R$) | 1.0127 | +0.0002 | 125 - 128 | 1.0129 | 1.0124 | - | - | - | - | - | - | - |
| Canada | (C$) | 1.3769 | +0.0026 | 767 - 771 | 1.3773 | 1.3740 | 1.3767 | 0.1 | 1.377 | 0.0 | 1.3798 | -0.2 | 82.9 |
| Mexico | (New Peso) | 7.5105 | +0.023 | 060 - 150 | 7.5135 | 7.5080 | 7.672 | -25.8 | 7.857 | -18.5 | 9.6205 | -28.1 | - |
| USA | ($) | - | - | - | - | - | - | - | - | - | - | - | 97.2 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.2806 | -0.0024 | 802 - 811 | 1.2813 | 1.2800 | 1.2826 | -1.9 | 1.2861 | -1.7 | 1.3048 | -1.9 | 92.6 |
| Hong Kong | (HK$) | 7.7343 | +0.0008 | 338 - 348 | 7.7350 | 7.7338 | 7.735 | -0.1 | 7.7368 | -0.1 | 7.7638 | -0.4 | - |
| India | (Rs) | 35.6000 | - | 000 - 000 | 35.8100 | 35.4700 | 35.75 | -5.1 | 36.055 | -5.1 | 37.525 | -5.4 | - |
| Israel | (Shk) | 3.1571 | +0.0072 | 522 - 620 | 3.1630 | 3.1289 | - | - | - | - | - | - | - |
| Japan | (Y) | 107.925 | +0.115 | 900 - 950 | 108.170 | 107.800 | 107.46 | 4.9 | 106.56 | 5.0 | 102.84 | 4.7 | 135.0 |
| Malaysia | (M$) | 2.4913 | -0.004 | 908 - 918 | 2.4948 | 2.4907 | 2.4922 | -0.4 | 2.4983 | -1.1 | 2.5218 | -1.2 | - |
| New Zealand | (NZ$) | 1.4545 | -0.0028 | 541 - 552 | 1.4553 | 1.4540 | 1.4576 | -2.6 | 1.4634 | -2.4 | 1.488 | -2.3 | - |
| Philippines | (Peso) | 26.1950 | - | 600 - 300 | 26.2300 | 26.1600 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 3.7506 | -0.0001 | 505 - 507 | 3.7508 | 3.7503 | 3.751 | -0.1 | 3.7517 | -0.1 | 3.7551 | -0.1 | - |
| Singapore | (S$) | 1.4120 | - | 115 - 125 | 1.4133 | 1.4115 | 1.4084 | 3.0 | 1.4024 | 2.7 | 1.377 | 2.5 | - |
| South Africa | (R) | 4.5625 | +0.0075 | 600 - 650 | 4.5750 | 4.5405 | 4.81 | -12.5 | [illegible] | [illegible] | 5.0375 | -10.4 | - |
| South Korea | (Won) | 821.300 | - | 200 - 400 | [illegible] | [illegible] | - | - | - | - | - | - | - |
| Taiwan | (T$) | 27.4850 | -0.0015 | 800 - 900 | 27.4860 | 27.4780 | 27.49 | -0.2 | 27.495 | -0.1 | - | - | - |
| Thailand | (Bt) | 25.2940 | +0.0245 | 890 - 990 | 25.3100 | 25.2850 | 25.3927 | -4.7 | 25.5965 | -4.8 | 26.479 | -4.7 | - |

† SDR rate per $ for Aug 14 Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 14: Base average 1990=100.

## WORLD INTEREST RATES

### MONEY RATES

| Aug 15 | Over night | One month | Three mths | Six mths | One year | Lomb. inter. | Dis. rate | Repo rate |
|---|---|---|---|---|---|---|---|---|
| Belgium | 3¼ | 3⅜ | 3⅜ | 3⅜ | 3⅝ | 7.00 | 2.50 | - |
| week ago | 3¼ | 3⅜ | 3⅜ | 3⅜ | 3⅝ | 7.00 | 2.50 | - |
| France | 3⅜ | 3⅝ | 4⅛ | 4⅛ | 4¼ | 3.55 | - | 4.75 |
| week ago | 3⅜ | 3⅝ | 3⅞ | 4 | 4⅛ | 3.55 | - | 4.75 |
| Germany | 3⅜ | 3⅜ | 3⅜ | 3⅜ | 3⅝ | 4.50 | 2.50 | 3.30 |
| week ago | 3⅜ | 3⅜ | 3⅜ | 3⅜ | 3⅝ | 4.50 | 2.50 | 3.30 |
| Ireland | 5⅝ | 5⅝ | 5⅝ | 5¾ | 6 | - | - | 6.25 |
| week ago | 5⅝ | 5⅝ | 5⅝ | 5¾ | 6 | - | - | 6.25 |
| Italy | 8⅝ | 8⅜ | 8¼ | 8⅛ | 8 | - | 8.25 | 9.03 |
| week ago | 9 | 8⅜ | 8¼ | 8⅛ | 8 | - | 8.25 | 8.82 |
| Netherlands | 2⅞ | 2⅞ | 2⅞ | 3 | 3¼ | - | 3.00 | 3.30 |
| week ago | 2⅞ | 2⅞ | 2⅞ | 3 | 3¼ | - | 3.00 | 3.30 |
| Switzerland | 2⅛ | 2⅜ | 2⅜ | 2⅜ | 2½ | 5.00 | 1.50 | - |
| week ago | 1⅞ | 2⅛ | 2⅜ | 2⅜ | 2½ | 5.00 | 1.50 | - |
| US | 5⅛ | 5⅜ | 5⅜ | 5⅝ | 5⅞ | - | 5.00 | - |
| week ago | 5¼ | 5⅜ | 5⅜ | 5⅝ | 5⅞ | - | 5.00 | - |
| Japan | ½ | ½ | ½ | ½ | ⅝ | - | 0.50 | - |
| week ago | ½ | ½ | ½ | ½ | ⅝ | - | 0.50 | - |
| ■ $ LIBOR FT London Interbank Fixing | - | 5⅜ | 5½ | 5⅝ | 5⅞ | - | - | - |
| week ago | - | 5⅜ | 5½ | 5⅝ | 5⅞ | - | - | - |
| US Dollar CDs | - | 5.10 | 5.18 | 5.25 | 5.46 | - | - | - |
| week ago | - | 5.10 | 5.18 | 5.26 | 5.49 | - | - | - |
| ECU Linked Ds | - | 4⅛ | 4⅛ | 4⅛ | 4¼ | - | - | - |
| week ago | - | 4⅛ | 4⅛ | 4⅛ | 4¼ | - | - | - |
| SDR Linked Ds | - | 3⅝ | 3⅝ | 3⅝ | 3¾ | - | - | - |
| week ago | - | 3⅝ | 3⅝ | 3⅝ | 3¾ | - | - | - |

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

### EURO CURRENCY INTEREST RATES

| Aug 15 | Short term | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Belgian Franc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Danish Krone | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| D-Mark | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Dutch Guilder | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| French Franc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Portuguese Esc. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Spanish Peseta | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sterling | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Swiss Franc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Can. Dollar | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| US Dollar | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Italian Lira | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Yen | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Asian $Sing | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (Aug 14)

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 95.71 | 95.80 | +0.14 | 95.81 | 95.69 | 54,225 | 54,495 |
| Dec | 95.74 | 95.86 | +0.16 | 95.87 | 95.73 | 26,117 | 48,799 |
| Mar | 95.75 | 95.86 | +0.13 | 95.88 | 95.75 | 10,690 | 33,010 |

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 96.69 | 96.72 | +0.03 | 96.75 | 96.69 | 20100 | 168120 |
| Dec | 96.66 | 96.70 | +0.05 | 96.72 | 96.65 | 26239 | 235991 |
| Mar | 96.46 | 96.52 | +0.06 | 96.55 | 96.46 | 14989 | 195298 |
| Jun | 96.19 | 96.25 | +0.07 | 96.27 | 96.18 | 14219 | 134139 |

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 91.44 | 91.46 | +0.06 | 91.50 | 91.42 | 4680 | 58080 |
| Dec | 91.80 | 91.91 | +0.04 | 91.93 | 91.80 | 4995 | 43842 |
| Mar | 92.13 | 92.14 | +0.03 | 92.16 | 92.12 | 844 | 24920 |
| Jun | 92.15 | 92.18 | +0.02 | 92.19 | 92.17 | 261 | 15065 |

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 97.70 | 97.71 | +0.03 | 97.73 | 97.67 | 4994 | 29935 |
| Dec | 97.60 | 97.62 | +0.04 | 97.64 | 97.60 | 3784 | 27742 |
| Mar | 97.40 | 97.44 | +0.06 | 97.45 | 97.40 | 1065 | 10819 |
| Jun | 97.16 | 97.14 | +0.02 | 97.17 | 97.14 | 352 | 3719 |

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 99.29 | 99.29 | - | 99.29 | 99.29 | 140 | n/a |
| Dec | 99.06 | 99.06 | - | 99.06 | 99.06 | 15 | n/a |
| Mar | - | 98.82 | - | - | - | 0 | n/a |

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 95.56 | 95.59 | +0.05 | 95.60 | 95.55 | 565 | 8343 |
| Dec | 95.56 | 95.59 | +0.05 | 95.59 | 95.56 | 398 | 6181 |
| Mar | 95.48 | 95.49 | +0.03 | 95.49 | 95.47 | 276 | 3173 |
| Jun | 95.30 | 95.30 | +0.02 | - | - | 0 | 2889 |

* LIFFE futures also traded on APT

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

| Aug 15 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | (BFr) | 100 | 18.77 | 16.58 | 4.854 | 2.035 | 4946 | 5.446 | 20.96 | 497.8 | 410.6 | 21.66 | 3.937 | 2.107 | 4.500 | 3.267 | 352.4 | 2.576 |
| Denmark | (DKr) | 53.28 | 10 | 8.835 | 2.586 | 1.084 | 2636 | 2.902 | 11.17 | 265.2 | 218.8 | 11.54 | 2.098 | 1.122 | 2.398 | 1.741 | 187.8 | 1.373 |
| France | (FFr) | 60.31 | 11.32 | 10 | 2.927 | 1.227 | 2983 | 3.284 | 12.64 | 300.2 | 247.6 | 13.06 | 2.375 | 1.270 | 2.714 | 1.971 | 212.6 | 1.554 |
| Germany | (DM) | 20.60 | 3.867 | 3.416 | 1 | 0.419 | 1019 | 1.122 | 4.318 | 102.6 | 84.59 | 4.462 | 0.811 | 0.434 | 0.927 | 0.673 | 72.61 | 0.531 |
| Ireland | (I£) | 49.14 | 9.223 | 8.148 | 2.385 | 1 | 2431 | 2.676 | 10.30 | 244.6 | 201.8 | 10.64 | 1.935 | 1.035 | 2.211 | 1.606 | 173.2 | 1.266 |
| Italy | (L) | 2.022 | 0.379 | 0.335 | 0.098 | 0.041 | 100. | 0.110 | 0.424 | 10.06 | 8.301 | 0.438 | 0.080 | 0.043 | 0.091 | 0.066 | 7.125 | 0.052 |
| Netherlands | (Fl) | 18.36 | 3.446 | 3.045 | 0.891 | 0.374 | 908.3 | 1 | 3.848 | 91.41 | 75.40 | 3.977 | 0.723 | 0.387 | 0.826 | 0.600 | 64.72 | 0.473 |
| Norway | (NKr) | 47.72 | 8.958 | 7.912 | 2.316 | 0.971 | 2360 | 2.599 | 10 | 237.5 | 195.9 | 10.33 | 1.879 | 1.005 | 2.147 | 1.559 | 168.2 | 1.229 |
| Portugal | (Es) | 20.09 | 3.770 | 3.331 | 0.975 | 0.409 | 993.7 | 1.094 | 4.210 | 100. | 82.48 | 4.350 | 0.791 | 0.423 | 0.904 | 0.656 | 70.80 | 0.518 |
| Spain | (Pta) | 24.36 | 4.571 | 4.038 | 1.182 | 0.496 | 1205 | 1.326 | 5.104 | 121.2 | 100. | 5.274 | 0.959 | 0.513 | 1.096 | 0.796 | 85.84 | 0.628 |
| Sweden | (SKr) | 46.18 | 8.666 | 7.657 | 2.241 | 0.940 | 2284 | 2.515 | 9.677 | 229.9 | 189.6 | 10 | 1.818 | 0.973 | 2.078 | 1.509 | 162.7 | 1.190 |
| Switzerland | (SFr) | 25.40 | 4.767 | 4.211 | 1.233 | 0.517 | 1256 | 1.383 | 5.323 | 126.4 | 104.3 | 5.500 | 1 | 0.535 | 1.143 | 0.830 | 89.51 | 0.654 |
| UK | (£) | 47.47 | 8.909 | 7.871 | 2.304 | 0.966 | 2348 | 2.585 | 9.948 | 236.3 | 194.9 | 10.28 | 1.869 | 1 | 2.136 | 1.551 | 167.3 | 1.223 |
| Canada | (C$) | 22.22 | 4.171 | 3.685 | 1.079 | 0.452 | 1099 | 1.210 | 4.657 | 110.6 | 91.25 | 4.813 | 0.875 | 0.468 | 1 | 0.726 | 78.32 | 0.573 |
| US | ($) | 30.61 | 5.744 | 5.075 | 1.485 | 0.623 | 1514 | 1.667 | 6.414 | 152.4 | 125.7 | 6.628 | 1.205 | 0.645 | 1.377 | 1 | 107.9 | 0.789 |
| Japan | (Y) | 28.37 | 5.325 | 4.705 | 1.377 | 0.577 | 1403 | 1.545 | 5.946 | 141.2 | 116.5 | 6.145 | 1.117 | 0.598 | 1.277 | 0.927 | 100. | 0.731 |
| Ecu | | *38.81* | *7.285* | *6.436* | *1.884* | *0.790* | *1920* | *2.114* | *8.134* | *193.2* | *159.4* | *8.406* | *1.528* | *0.818* | *1.747* | *1.268* | *136.8* | 1 |

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 0.6725 | 0.6736 | +0.0002 | 0.6736 | 0.6721 | 24,950 | 69,245 |
| Dec | 0.6769 | 0.6774 | +0.0002 | 0.6774 | 0.6768 | 262 | 4,594 |
| Mar | – | 0.6814 | – | – | – | 21 | 633 |

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 0.9291 | 0.9293 | –0.0007 | 0.9301 | 0.9282 | 8,309 | 61,924 |
| Dec | 0.9407 | 0.9408 | –0.0008 | 0.9411 | 0.9407 | 281 | 6,312 |
| Mar | – | 0.9532 | - | - | – | 30 | 162 |

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 0.8285 | 0.8298 | –0.0002 | 0.8298 | 0.8263 | 13,178 | 36,453 |
| Dec | 0.8365 | 0.8360 | –0.0005 | 0.8365 | 0.8341 | 360 | 2,576 |
| Mar | – | 0.8427 | –0.0008 | – | 0.8425 | 200 | 299 |

■ STERLING FUTURES (IMM) £62,500 per £

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 1.5486 | 1.5524 | +0.0034 | 1.5524 | 1.5484 | 4,197 | 46,583 |
| Dec | 1.5480 | 1.5520 | +0.0038 | 1.5520 | 1.5490 | 30 | 1,258 |
| Mar | – | 1.5500 | +0.0020 | 1.5500 | – | 3 | 9 |

## UK INTEREST RATES

### LONDON MONEY RATES

| Aug 15 | Over-night | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Interbank Sterling | 5$\frac{11}{16}$ - 4¾ | 5¾ - 5⅝ | 5$\frac{23}{32}$ - 5$\frac{21}{32}$ | 5⅞ - 5$\frac{11}{16}$ | 5$\frac{29}{32}$ - 5$\frac{13}{16}$ | 6$\frac{3}{16}$ - 6$\frac{1}{16}$ |
| Sterling CDs | - | - | 5¾ - 5$\frac{11}{16}$ | 5$\frac{25}{32}$ - 5$\frac{23}{32}$ | 5$\frac{13}{16}$ - 5¾ | 6 - 5$\frac{15}{16}$ |
| Treasury Bills | - | - | 5$\frac{21}{32}$ - 5$\frac{19}{32}$ | 5$\frac{19}{32}$ - 5$\frac{17}{32}$ | - | - |
| Bank Bills | - | - | 5$\frac{11}{16}$ - 5⅝ | 5⅝ - 5$\frac{9}{16}$ | 5⅝ - 5$\frac{9}{16}$ | - |
| Local authority deps. | 5$\frac{13}{16}$ - 5$\frac{11}{16}$ | 5¾ - 5⅝ | 5$\frac{23}{32}$ - 5$\frac{21}{32}$ | 5$\frac{25}{32}$ - 5$\frac{23}{32}$ | 5$\frac{13}{16}$ - 5$\frac{11}{16}$ | 6$\frac{1}{16}$ - 5$\frac{15}{16}$ |
| Discount Market deps | 5¾ - 5½ | 5¾ - 5$\frac{11}{16}$ | - | - | - | - |

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

| | Up to 1 month | 1-3 month | 3-6 months | 6-9 months | 9-12 months |
|---|---|---|---|---|---|
| Certs of Tax dep. (£100,000) | 2½ | 5½ | 5 | 5 | 4¾ |

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Aug 9, 5.5660pc. ECGD fixed rate Stg. Export Finance. Make up day July 31, 1996. Agreed rate for period Aug 26, 1996 to Sep 24, 1996, Schemes II & III 7.06pc. Reference rate for period Jun 29, 1996 to July 31, 1996, Schemes IV & V 5.811pc. Finance House Base Rate 6pc from Aug 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 94.17 | 94.18 | +0.01 | 94.20 | 94.17 | 8792 | 71868 |
| Dec | 94.10 | 94.11 | +0.01 | 94.14 | 94.08 | 16788 | 107826 |
| Mar | 93.88 | 93.88 | +0.01 | 93.91 | 93.84 | 13855 | 75692 |
| Jun | 93.53 | 93.51 | -0.01 | 93.55 | 93.48 | 11167 | 51903 |
| Sep | 93.13 | 93.12 | -0.02 | 93.17 | 93.10 | 2754 | 33908 |

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

| Strike Price | CALLS Sep | Dec | Mar | PUTS Sep | Dec | Mar |
|---|---|---|---|---|---|---|
| 9400 | 0.19 | 0.22 | 0.22 | 0.01 | 0.11 | 0.34 |
| 9425 | 0.03 | 0.09 | 0.13 | 0.10 | 0.23 | 0.50 |
| 9450 | 0 | 0.03 | 0.07 | 0.32 | 0.42 | 0.69 |

Est. vol. total, Calls 680 Puts 858. Previous day's open int., Calls 144323 Puts 137795

### BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 5.75 | Cyprus Popular Bank | 5.75 | *Mount Credit Corp | 6.00 |
| Allied Trust Bank | 5.75 | Duncan Lawrie | 5.75 | NatWestminster | 5.75 |
| AIB Bank | 5.75 | Exeter Bank Limited | 6.75 | ●Rea Brothers | 5.75 |
| ●Henry Ansbacher | 5.75 | Financial & Gen Bank | 7.00 | Royal Bk of Scotland | 5.75 |
| Bank of Baroda | 5.75 | ●Robert Fleming & Co | 5.75 | ●Singer & Friedlander | 5.75 |
| Banco Bilbao Vizcaya | 5.75 | Girobank | 5.75 | ●Smith & Williamson Secs | 5.75 |
| Bank of Cyprus | 5.75 | ●Guinness Mahon | 5.75 | Scottish Widows Bank | 5.75 |
| Bank of Ireland | 5.75 | Habib Bank AG Zurich | 5.75 | TSB | 5.75 |
| Bank of India | 5.75 | ●Hambros Bank | 5.75 | United Bank of Kuwait | 5.75 |
| Bank of Scotland | 5.75 | Heritable & Gen Inv Bk | 5.75 | Unity Trust Bank Plc | 5.75 |
| Barclays Bank | 5.75 | ●Hill Samuel | 5.75 | Western Trust | 5.75 |
| Brit Bk of Mid East | 5.75 | C. Hoare & Co | 5.75 | Whiteaway Laidlaw | 5.75 |
| ●Brown Shipley & Co Ltd | 5.75 | Hongkong & Shanghai | 5.75 | Yorkshire Bank | 5.75 |
| Citibank NA | 5.75 | Julian Hodge Bank | 5.75 | | |
| Clydesdale Bank | 5.75 | ●Leopold Joseph & Sons | 5.75 | ● Members of London Investment Banking Association | |
| The Co-operative Bank | 5.75 | Lloyds Bank | 5.75 | | |
| Coutts & Co | 5.75 | Meghraj Bank Ltd | 5.75 | * In administration | |
| Credit Lyonnais | 5.75 | Midland Bank | 5.75 | | |

### EMS EUROPEAN CURRENCY UNIT RATES

| Aug 14 | Ecu cen. rates | Rate against Ecu | Change on day | % +/- from cen. rate | % spread v weakest | Div. ind. |
|---|---|---|---|---|---|---|
| Netherlands | 2.15214 | 2.13379 | +0.00255 | –0.85 | 2.36 | 6 |
| Spain | 162.493 | 161.501 | –0.212 | –0.61 | 2.11 | 4 |
| Belgium | 39.3960 | 39.1867 | +0.0407 | –0.53 | 2.03 | 4 |
| Germany | 1.91007 | 1.90157 | +0.00238 | –0.45 | 1.94 | 4 |
| Austria | 13.4383 | 13.3820 | +0.0171 | –0.42 | 1.91 | 3 |
| Portugal | 195.792 | 195.232 | –0.112 | –0.29 | 1.78 | 2 |
| Ireland | 0.792214 | 0.797185 | –0.001511 | 0.63 | 0.85 | –4 |
| Denmark | 7.28580 | 7.35420 | +0.00132 | 0.94 | 0.54 | –6 |
| France | 6.40608 | 6.50132 | –0.00372 | 1.49 | 0.00 | –13 |
| **NON ERM MEMBERS** | | | | | | |
| Greece | 292.867 | 303.985 | +0.112 | 3.80 | –2.23 | – |
| Italy | 2106.15 | 1945.46 | –2.56 | –7.63 | 9.87 | – |
| UK | 0.786652 | 0.827343 | –0.0026 | 5.17 | –3.50 | – |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

| Strike Price | CALLS Aug | Sep | Oct | PUTS Aug | Sep | Oct |
|---|---|---|---|---|---|---|
| 1.530 | 1.87 | 2.07 | 2.40 | - | 0.18 | 0.54 |
| 1.540 | 0.89 | 1.33 | 1.74 | - | 0.44 | 0.87 |
| 1.550 | 0.15 | 0.76 | 1.20 | 0.20 | 0.87 | 1.33 |
| 1.560 | - | 0.40 | 0.78 | 0.98 | 1.48 | 1.91 |
| 1.570 | - | 0.14 | 0.48 | - | 2.25 | - |

Previous day's vol., Calls 10,407 Puts 4,737 . Prev. day's open int., Calls 172,918 Puts 159,016

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 94.44 | 94.42 | –0.02 | 94.45 | 94.43 | 39,416 | 383,877 |
| Dec | 94.21 | 94.17 | –0.02 | 94.22 | 94.18 | 56,329 | 465,982 |
| Mar | 94.11 | 94.05 | –0.05 | 94.11 | 94.07 | 49,885 | 296,795 |

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 94.95 | 94.95 | +0.01 | 94.95 | 94.95 | 672 | 7,402 |
| Dec | 94.81 | 94.79 | – | 94.81 | 94.79 | 102 | 1,755 |
| Mar | 94.68 | 94.68 | –0.01 | 94.68 | 94.68 | 42 | 677 |

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

| Strike Price | CALLS Aug | Sep | Oct | Dec | PUTS Aug | Sep | Oct | Dec |
|---|---|---|---|---|---|---|---|---|
| 9650 | 0.22 | 0.24 | 0.24 | 0.28 | 0 | 0.02 | 0.04 | 0.08 |
| 9675 | 0.01 | 0.06 | 0.09 | 0.12 | 0.04 | 0.09 | 0.14 | 0.17 |
| 9700 | 0 | 0.01 | 0.02 | 0.04 | 0.28 | 0.29 | 0.32 | 0.34 |

Est. vol. total, Calls 20449 Puts 5701. Previous day's open int., Calls 359485 Puts 308238

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

| Strike Price | CALLS Sep | Dec | Mar | PUTS Sep | Dec | Mar |
|---|---|---|---|---|---|---|
| 9775 | 0.06 | 0.11 | 0.13 | 0.10 | 0.24 | 0.44 |
| 9800 | 0.02 | 0.05 | 0.08 | 0.31 | 0.43 | 0.64 |

Est. vol. total, Calls 100 Puts 0. Previous day's open int., Calls 8458 Puts 6140

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

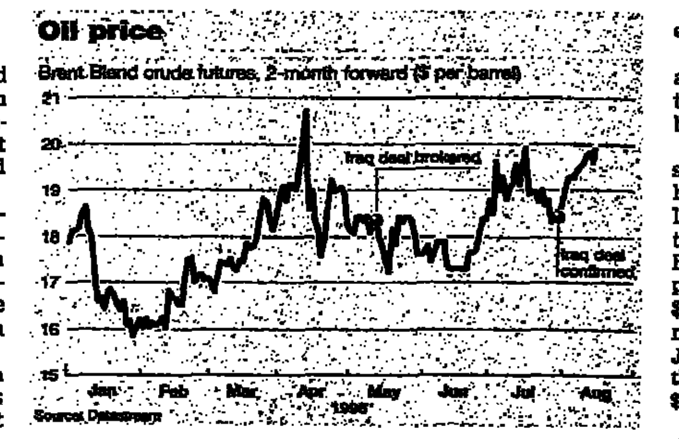
| Strike Price | CALLS Sep | Dec | Mar | PUTS Sep | Dec | Mar |
|---|---|---|---|---|---|---|
| 9125 | 0.28 | 0.77 | 1.04 | 0.07 | 0.11 | 0.15 |
| 9150 | 0.13 | 0.57 | 0.86 | 0.17 | 0.16 | 0.22 |
| 9175 | 0.05 | 0.40 | 0.66 | 0.34 | 0.24 | 0.27 |

Est. vol. total, Calls 1145 Puts 0. Previous day's open int., Calls 76808 Puts 35151

## COMMODITIES AND AGRICULTURE

# Oil market withstands profit-taking

By Robert Corzine




Profit-taking yesterday failed to put much of a dent in crude oil prices, which continued to show resilience at levels which have surprised many traders and analysts.

The price of the benchmark Brent Blend for September delivery was $20.55 a barrel in late London trading, compared with its close on Wednesday of $20.68 a barrel.

The current rally, which began two weeks ago, has added about $2 to the Brent price, with much of the rise recorded earlier this week. Traders noted yesterday that even after two days of profit-taking Brent prices were still above their level at the start of the week.

The rally has been strong enough that markets have easily shaken off negative factors, including the decision by the US last week to drop its objections to the long-awaited Iraqi oil for food and medicines deal.

Yesterday London traders said they saw no imminent signs that the the two days of profit-taking would trigger a general sell-off.

"The technical indicators still look good," said Mr Lindsay Horn, oil trader at the London office of the US investment bank Lehman Brothers. But he said current conditions were "very peculiar".

The market, for example, is in backwardation. That means buyers have to pay a premium for near-term delivery, while forward prices are progressively lower. The opposite is normally the case, especially at the beginning of the run up to northern hemisphere winter.

Volumes and also been relatively light, especially on the days when prices have been pushed furthest.

But even so, is the current strength of oil a sign of higher prices to come? Analysts yesterday noted that the forward price curve for Brent suggested an average price for the year of around $19.50, a level well above most forecasts published last January. It is also well above the average so far of around $18.60.

But some analysts said they did not expect the positive short-term factors underpinning prices to extend into the fourth quarter.

"Current oil prices are at the top end of the range, said Mr Mehdi Varzi, energy analyst at London brokers Kleinwort Benson.

He is predicting an average price for 1997 of $17 a barrel, with price weakness becoming increasingly apparent towards the end of the year when the full volumes of Iraqi oil will probably be felt.

Reports this week from other London brokers warn of over-optimism. BZW is maintaining its forecast for 1997 of $17.70, while Societe Generale expects ". . . a lowly $17 next year."

The fourth quarter is also when a new surge of supplies from countries outside the Organisation of Petroleum Exporting Countries is expected. Although some analysts disagree with some of the higher estimates of the rise in non-Opec production, there are growing signs that western oil companies in particular are keen to take advantage of current prices. British Petroleum last week reported volumes up 5 per cent in the first half of the year, compared with a company target of 2 per cent annual growth.

# Chinese liberalisation cheers gold producers

By Kenneth Gooding, Mining Correspondent

China is taking its first, tentative step to liberalise gold jewellery prices and this could have important implications for the development of demand for the precious metal, according to Ms Helen Junz, director of the World Gold Council's gold economics service.

Until recently the prices of all gold jewellery items produced in China were simply related to the value of their metal content and took no account of the added value involved in design and fabrication, she points out. The system encourages production of shoddy items and demand for better quality jewellery in China is satisfied by imports from Hong Kong.

However, the People's Bank of China and the State Pricing Bureau decided recently to start a trial in one shopping centre in one economic area, Shenzhen, and to allow gold jewellery prices that take account of labour costs, thereby making room for quality and design improvements.

The favourable response to this "free" pricing test led to a decision by the bank to expand the new pricing structure to the whole city from October, with other regions such as Shanghai and Suzhou likely to follow.

Ms Junz says: "The significance of the move is that it introduces an element of competitiveness to gold jewellery pricing in China and may result in the increased availability of improved products with new designs and better craftsmanship, to the benefit of consumer demand."

She was speaking as the council gave its quarterly gold demand trends briefing, which showed that in the first half of 1996, in the countries monitored by the council, demand slipped back only slightly from the record level seen in the same months last year. It fell by just 3.8 per cent, from 1,341.7 tonnes to 1,290.9 tonnes.

The council, a promotional organisation financed by gold producers, tracks demand trends in countries that account for between 75 and 80 per cent of total gold demand.

One important factor in the first half fall was investment demand which, after nearly doubling in the first six months of 1995, dropped by 63 per cent in developed markets as it returned to more normal levels this year.

Gold investment in Germany and Japan alone dropped from the exceptionally high level of the first half of 1995 by 45.4 tonnes or 62 per cent. The council suggests exchange rate movements played a big part in this. The fall of the value of the US dollar against the yen and Deutschmark in 1995 provided a strong incentive to buy as the price of gold in those currencies reached new recent lows. As the dollar strengthened from the spring of 1995 onward, investors had an incentive to take profits. The council points out that gold in yen terms is at present about 30 per cent and in Dm terms 10 per cent above the respective 1995 lows.

*Gold Demand Trends: From the WGC, 10 Haymarket, London SW1Y 4BP, UK*

**Gold Demand in Largest Consumer Markets in first half of 1996**

| | Total (tonnes) | Year-on-year change |
|---|---|---|
| India | 253 | +5% |
| US | 150 | +8% |
| China | 117 | -2% |
| Saudi Arabia | 102 | +3% |
| Japan | 99 | -41% |
| Taiwan | 88 | +10% |
| Turkey | 51 | +12% |
| South Korea | 62 | +1% |
| Indonesia | 64 | unchanged |
| Thailand | 59 | -14% |

Source: World Gold Council

# Finnish bourse aims to feed off pulp volatility

## Recent price turbulence has raised the hopes of the market's promoters, writes Greg McIvor

The sights of forestry industry executives will be trained on Finland next month (September 9) when a new exchange for pulp derivatives is launched in Helsinki.

Buffeted by wild price gyrations in the past few years, pulp manufacturers and buyers are hoping the bourse will offer respite from the turbulence that has spun their profits up and down like a yo-yo. In the space of 30 months market rates have surged from a historic low to a record high, plunged back down again and then commenced a fresh recovery.

Pulp prices have long been subject to cyclical fluctuations; but such unprecedented volatility has shaken the industry. The latest swings have been dismissed by some company executives as exceptional, but price data from the past 25 years indicate a clear trend towards more unstable levels. On of the main reasons is that the market, once dominated by big North American and Scandinavian companies, has seen the advent of lower-cost producers in Latin America and Asia with more aggressive pricing strategies.

Mr Anders Lindeberg, president of the Finnish Options and Futures Exchange, which is opening the new bourse, says the need for financial instruments to hedge against future price lurches has never been greater. "The industry needs it and it is a long time overdue," he says. "No-one drills an oil rig without first having hedged against price risks. Why should a commodity like pulp be any different?"

The ability of participants to buy and sell "put" and "call" options for pulp, as well as futures, will effectively eliminate the risk of price fluctuations, Mr Lindeberg claims. He believes the exchange's mere existence will aid price stability and envisages the derivatives being expanded to embrace different paper grades.

In spite of the conservative traditions of the pulp and paper industry the Helsinki initiative has stirred considerable interest. A leading US forestry group and Södra of Sweden, Europe's biggest pulp producer, have been among those involved in planning the exchange. Producers in North America, Scandinavia and Asia have supported the concept, although some are adopting a wait-and-see attitude towards direct participation.

Mr Thorleif Blok, president of Ahlström Paper Group of Finland, believes the inception of pulp derivatives will improve industry transparency – the absence of which has been a factor behind pulp price volatility. The swings, he suggests, have become a millstone round the necks not just of producers, but of all connected with the industry.

Rocketing pulp prices in 1995 and earlier this year hit prices of Ahlström's packaging grades, persuading some of its customers to switch to plastic materials. "This is something the industry should be very concerned about. From 1988 up to now it has been a rollercoaster experience for both buyers and sellers," Mr Blok says.

The key question is whether the Finnish derivatives will succeed where others have failed. Previous attempts to establish options and futures trading in Canada and in Sweden foundered because of an excessively domestic focus and a requirement for buyers to take physical delivery of pulp. Pulp traders baulked at the prospect of using a system that could saddle them with quantities of inferior or unsuitable pulp. The industry produces around 20 different pulp grades, primarily reflecting different bleaching treatments. Different paper grades require different pulp types.

Trades in Helsinki will be for Northern Bleached Softwood Kraft and will be settled in cash. The Finnish Options Exchange intends to co-ordinate transactions around a benchmark price, to be determined by pooling confidential information from more than 30 suppliers. The "market" rate will be updated weekly.

The establishment of a credible benchmark is probably the exchange's toughest test and could determine whether the new market sinks or swims. Pulp deals have traditionally been carried out in secrecy. Because of discounts and other incentives to purchasers, companies are generally unwilling to disclose the exact level at which transactions are struck.

Mr Mika Koskinen, pulp and paper analyst at Enskilda Securities in Helsinki, warns that the index could be open to exploitation by buyers or producers with vested interests in "planting" misleading prices. "The price is the biggest potential hurdle," he says.

But Mr Lindeberg is confident of winning the credibility battle, saying the benchmark setting system has been functioning smoothly since trials began in June. Top-end high and low prices are be filtered out to avoid distortions. "The industry knows today what the price is, but it is not listed. Most trades are done in a very narrow band," he says.

## COMMODITIES PRICES

### BASE METALS

**LONDON METAL EXCHANGE**
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1470.5-71.5 | 1505-06 |
| Previous | 1480.5-81.5 | 1516-17 |
| High/low | | 1510/1495 |
| AM Official | 1470-71 | 1505-05.5 |
| Kerb close | | 1497-97.5 |
| Open int. | 219,798 | |
| Total daily turnover | 37,108 | |

■ ALUMINIUM ALLOY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1260-70 | 1295-305 |
| Previous | 1275-80 | 1310-12 |
| High/low | 1263 | 1305/1300 |
| AM Official | 1263-64 | 1297-302 |
| Kerb close | | 1295-305 |
| Open int. | 4,737 | |
| Total daily turnover | 188 | |

■ LEAD ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 831.5-2.5 | 823.5-4.5 |
| Previous | 838-40 | 828-28.5 |
| High/low | 834/823 | 826/825 |
| AM Official | 833-4 | 825-5.5 |
| Kerb close | | 821-2 |
| Open int. | 33,232 | |
| Total daily turnover | 5,009 | |

■ NICKEL ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 6960-70 | 7065-70 |
| Previous | 71010-20 | 7115-20 |
| High/low | 6968/6958 | 7120/7060 |
| AM Official | 6958-60 | 7060-65 |
| Kerb close | | 7060-70 |
| Open int. | 38,795 | |
| Total daily turnover | 10,551 | |

■ TIN ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 6090-100 | 6155-60 |
| Previous | 6115-25 | 6180-85 |
| High/low | | 6165/6150 |
| AM Official | 6095-100 | 6160-61 |
| Kerb close | | 6150-51 |
| Open int. | 16,027 | |
| Total daily turnover | 2,766 | |

■ ZINC, special high grade ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1009-10 | 1036-37 |
| Previous | 1011-12 | 1038.5-39.0 |
| High/low | 1008 | 1039/1035.5 |
| AM Official | 1008-08.5 | 1035-35.5 |
| Kerb close | | 1033-33.5 |
| Open int. | 65,980 | |
| Total daily turnover | 7,004 | |

■ COPPER, grade A ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 2027-30 | 1954-55 |
| Previous | 2040-43 | 1945-46 |
| High/low | 2026/2024 | 1964/1950 |
| AM Official | 2022-23 | 1954-55 |
| Kerb close | | 1949-50 |
| Open int. | 210,834 | |
| Total daily turnover | 72,488 | |

■ LME AM Official £/$ rate: 1.5506
LME Closing £/$ rate: 1.5505

Spot 1.5509 3 mths: 1.5498 6 mths: 1.5494 9 mths: 1.5490

■ HIGH GRADE COPPER (COMEX)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Aug | 92.80 | -0.60 | 93.00 | 92.40 | 226 | 2,004 |
| Sep | 92.55 | -0.45 | 93.00 | 91.80 | 5,858 | 15,084 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### PRECIOUS METALS

■ LONDON BULLION MARKET (Prices supplied by N M Rothschild)

[illegible]

### Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.) — [illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.) — [illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.) — [illegible]

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.) — [illegible]

### ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel) — [illegible]

■ CRUDE OIL IPE ($/barrel) — [illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls) — [illegible]

■ GAS OIL IPE ($/tonne) — [illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu) — [illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls) — [illegible]

### GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne) — [illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel) — [illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel) — [illegible]

■ BARLEY LCE (£ per tonne) — [illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel) — [illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb) — [illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton) — [illegible]

■ POTATOES LCE (£/tonne) — [illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point) — [illegible]

FUTURES DATA
All futures data supplied by CMS.

### SOFTS

■ COCOA LCE (£/tonne) — [illegible]

■ COCOA CSCE (10 tonnes; $/tonnes) — [illegible]

■ COCOA (ICCO) (SDR's/tonne) — [illegible]

■ COFFEE LCE ($/tonne) — [illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs) — [illegible]

■ COFFEE (ICO) (US cents/pound) — [illegible]

■ WHITE SUGAR LCE ($/tonne) — [illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs) — [illegible]

■ COTTON NYCE (50,000lbs; cents/lbs) — [illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs) — [illegible]

### MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs) — [illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs) — [illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs) — [illegible]

### LONDON TRADED OPTIONS

| Strike price $ tonne | Calls Oct | Calls Jan | Puts Oct | Puts Jan |
|---|---|---|---|---|
| ■ ALUMINIUM (99.7%) LME | | | | |
| 1450 | 35 | 89 | 10 | 31 |
| 1500 | 10 | 61 | 35 | 52 |
| 1550 | 2 | 40 | 76 | 82 |
| ■ COPPER (Grade A) LME | Oct | Jan | Oct | Jan |
| 1800 | 210 | 175 | 1 | 42 |
| 1900 | 118 | 116 | 10 | 64 |
| 2000 | 50 | 72 | 41 | 136 |
| ■ COFFEE LCE | Sep | Nov | Sep | Nov |
| 1550 | 155 | 173 | 1 | 46 |
| 1600 | 109 | 141 | 4 | 64 |
| 1650 | 67 | 114 | 15 | 87 |
| ■ COCOA LCE | Sep | Dec | Sep | Dec |
| 975 | 47 | 90 | 2 | 28 |
| 1000 | 28 | 74 | 8 | 36 |
| 1025 | 12 | 60 | 17 | 49 |
| ■ BRENT CRUDE IPE | Oct | Nov | Oct | Nov |
| 1900 | - | - | 28 | - |
| 1950 | - | 66 | 41 | - |
| 2000 | 57 | 64 | - | - |

### LONDON SPOT MARKETS

| | | +or- |
|---|---|---|
| ■ CRUDE OIL FOB (per barrel) | | |
| Dubai | $18.24-8.33 | -0.15 |
| Brent Blend (dated) | $20.86-0.90 | |
| Brent Blend (Oct) | $19.93-9.95 | -0.17 |
| W.T.I. | $21.30-1.37x | -0.27 |
| ■ OIL PRODUCTS NWE prompt delivery CIF (tonne) | | |
| Premium Gasoline | $218-220 | +2 |
| Gas Oil | $185-187 | |
| Heavy Fuel Oil | $91-93 | |
| Naphtha | $192-195 | |
| Jet fuel | $209-211 | |
| Diesel | $187-189 | -1 |
| ■ NATURAL GAS (Pence/therm) | | |
| Bacton (Sep) | 14.20-14.60 | +0.30 |
| Petroleum Argus. Tel. London (0171) 359 8792 | | |
| ■ OTHER | | |
| Gold (per troy oz)♣ | $386.30 | -0.20 |
| Silver (per troy oz)♣ | 506.50c | +3.00 |
| Platinum (per troy oz.) | $399.50 | +0.25 |
| Palladium (per troy oz.) | $126.75 | -0.65 |
| Copper | 89.0c | +2.0 |
| Lead (US prod.) | 45.00c | |
| Tin (Kuala Lumpur) | 15.01r | |
| Tin (New York) | 286.50 | +1.00 |
| Cattle (live weight) | 96.39p | -1.46* |
| Sheep (live weight) | 108.40p | -0.83* |
| Pigs (live weight) | 117.59p | +7.73* |
| Lon. day sugar (raw) | $309.50 | -1.50 |
| Lon. day sugar (wte) | $373.00 | +0.80 |
| Barley (Eng. feed) | Unq | |
| Maize (US No3 Yellow) | $141.5v | |
| Wheat (US Dark North) | Unq | |
| Rubber (Sep)♥ | 88.25p | -0.25 |
| Rubber (Oct)♥ | 88.25p | -0.25 |
| Rubber (KL RSS No1) | 335.50m | +1.00 |
| Coconut Oil (Phil)§ | $800.0w | |
| Palm Oil (Malay)§ | $507.5 | +5.0 |
| Copra (Phil)§ | $505.0w | |
| Soyabeans (US) | 224.0 | |
| Cotton Outlook'A' Index | 77.35c | +0.25 |
| Wooltops (64s Super) | 417p | |

[illegible]

**Wool**

After an uncertain and, for New Zealand, softer start to the new selling season, the balance looked fractionally firmer at the end of last week in Australia, and strength extended and accelerated at this week's auctions. Finer merinos, especially 19 and 20 micron, led the way in Australia while middle range merinos, 22 and 23 micron, were at times softer and only just held their ground this week. Broader types and crossbreds after a mixed start gathered pace with general increases in New Zealand yesterday. The Eastern market indicator in Australia closed the week at 612 cents, 10 cents higher than a week before. The New Zealand market indicator was 14 cents higher at 470 cents.

**VOLUME DATA**

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

### INDICES

■ REUTERS (Base: 18/9/31=100) — [illegible]

■ CRB Futures (Base: 1967=100) — [illegible]

■ GSCI Spot (Base: 1970=100) — [illegible]

**JOTTER PAD**

## CROSSWORD

No.9,148 Set by ADAMANT

**ACROSS**
1 Tax form showing profit on plant (6,6)
10 Took out what English politician drew (7)
11 Opposite the bar (7)
12 French friend back on acid (5)
13 Found someone else when put in debt (9)
15 Claims auto repair was responsible for the disaster (10)
16 Caused accountant to vanish, worn out (4)
18 Concerned with the morning papers (4)
20 Where directors decide on bed and breakfast? The other way round! (10)
22 Non vintage Epernay initially in run off paper bag (8)
24 At one in river terrace (5)
26 Lawsuit on motor body (7)
27 Beast would incur no damage (7)
28 Gamble, say, a great deal on England in Test (5,8)

**DOWN**
2 Joke over trial run missing at the wedding (7)
3 Clothes for look-alikes (8)
4 Young man has yen for her (4)
5 Former inspectors announced at the treasuries (10)
6 As accustomed, left after America brought up the gold (5)
7 Another section for advertisements (7)
8 Money from legacy including Rolls Royce uncle had rebuilt (5,8)
9 Do business and disregard the wholesale deduction (5,8)
14 There's a mop designed for environmental gases (10)
17 He doesn't speak about his life (8)
19 Raved about science graduate in modified terms (7)
21 Excel the soldiers in the open air (7)
23 Animal is bit in Los Angeles (5)
25 Add nothing to sport (4)

Solution 9,147

# FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

## OFFSHORE AND OVERSEAS

### BERMUDA (SIB RECOGNISED)

### BERMUDA (REGULATED)(**)

### GUERNSEY (SIB RECOGNISED)

### GUERNSEY (REGULATED)(**)

### IRELAND (SIB RECOGNISED)

### IRELAND (REGULATED)(**)

### ISLE OF MAN (SIB RECOGNISED)

### ISLE OF MAN (REGULATED)(**)

### JERSEY (REGULATED)(**)

### JERSEY (SIB RECOGNISED)

Offshore Funds and Insurances

# FT MANAGED FUNDS SERVICE

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## LUXEMBOURG (SIB RECOGNISED)

## LUXEMBOURG (REGULATED)(**)

## OFFSHORE INSURANCES

[illegible]

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# FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Old Mutual International - Contd.

Alpha Fund Management Ltd

Arcadia Capital Advisors LLC

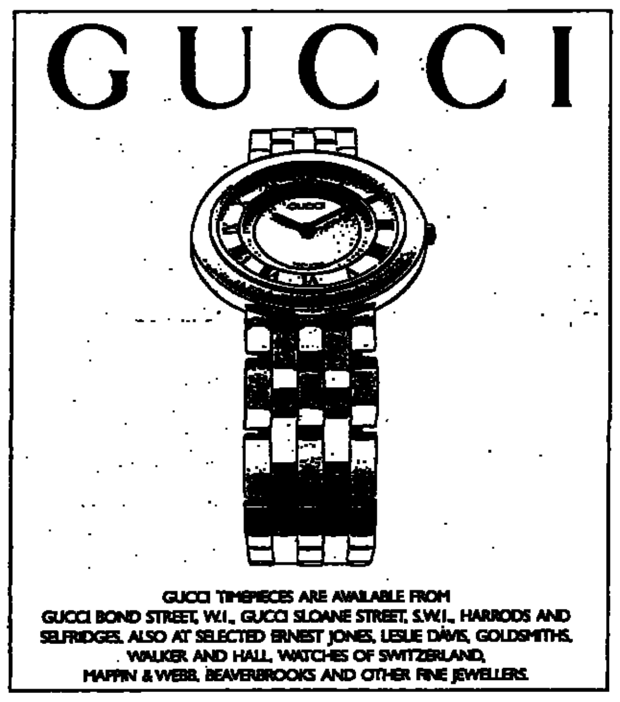
Arc Investment Company Ltd

PanEuroLife societe anonyme

36 Av Marie-Therese, Luxembourg

Premier Life

Arnhold and S. Bleichroeder, Inc




Global Asset Management - Contd.

Jardine Fleming Unit Trusts Ltd - Contd.

OTHER OFFSHORE FUNDS

# LONDON SHARE SERVICE

## ALCOHOLIC BEVERAGES

[illegible]

## BANKS, MERCHANT

[illegible]

## BANKS, RETAIL

[illegible]

## BREWERIES, PUBS & REST

[illegible]

## BUILDING & CONSTRUCTION

[illegible]

## BUILDING MATS. & MERCHANTS

[illegible]

## CHEMICALS

[illegible]

## CHEMICALS - Cont.

[illegible]

## DISTRIBUTORS

[illegible]

## DIVERSIFIED INDUSTRIALS

[illegible]

## ELECTRICITY

[illegible]

## ELECTRONIC & ELECTRICAL EQPT

[illegible]

## ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

## ENGINEERING

[illegible]

## ENGINEERING - Cont.

[illegible]

## ENGINEERING, VEHICLES

[illegible]

## EXTRACTIVE INDUSTRIES

[illegible]

## EXTRACTIVE INDUSTRIES - Cont.

[illegible]

## FOOD PRODUCERS

[illegible]

## FOOD PRODUCERS - Cont.

[illegible]

## GAS DISTRIBUTION

[illegible]

## HEALTH CARE

[illegible]

## HOUSEHOLD GOODS

[illegible]

## HOUSEHOLD GOODS - Cont.

[illegible]

## INSURANCE

[illegible]

## INVESTMENT TRUSTS

[illegible]

## INVESTMENT TRUSTS - Cont.

[illegible]

## INV TRUSTS SPLIT CAPITAL

[illegible]

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## LONDON SHARE SERVICE

### INV TRUSTS SPLIT CAPITAL - Cont.

### LEISURE & HOTELS - Cont.

### PAPER, PACKAGING & PRINTING

### PROPERTY - Cont.

### TELECOMMUNICATIONS

### AIM - Cont.

### RETAILERS, FOOD

### TEXTILES & APPAREL

### LIFE ASSURANCE

### RETAILERS, GENERAL

### MEDIA

### PHARMACEUTICALS

### AMERICANS

### TOBACCO

### TRANSPORT

### PROPERTY

### CANADIANS

### OTHER INVESTMENT TRUSTS

### OIL, EXPLORATION & PRODUCTION

### SOUTH AFRICANS

| | Notes | Price | + or - | 52 week high | low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Anglo Am Ind | | £22½ | — | £24½ | £22½ | 1,508 | 3.4 | Φ |
| Barlow | §† | 88 | — | 210½ | 55 | 1,211 | 2.2 | — |
| Gold Flds Prop R | | 131xd | — | 170 | 120 | 13.4 | 8.5 | 18.2 |
| MK Props | | 80 | — | 85 | 75 | 3.22 | 11.4 | — |
| SASOL | ♥ | 681 | — | 710 | 475 | 3,870 | 1.7 | — |
| SA Brews | | £17¾ | — | £20¼ | £17¼ | 5,117 | 2.0 | Φ |
| Standard Bank | | £22¾ | -⅛ | £32⅞ | £20⅛ | 2,857 | 1.8 | 20.5 |
| Tiger Oats | † | 830 | — | 1270 | 770 | 1,248 | 2.0 | 17.1 |
| Tongaat-Hulett | | 766xd | — | 1247 | 736 | 717.5 | 2.4 | Φ |

### WATER



### INVESTMENT COMPANIES

### PROPERTY - Cont.

### SUPPORT SERVICES

### AIM

### OIL, INTEGRATED

### OTHER FINANCIAL

### LEISURE & HOTELS

## GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ℙ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion.

### ♣ FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT8846. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.

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For readers phoning from outside UK, please dial +44 in place of the first 0.

The share prices printed on these pages are also available on the Internet at http://www.FT.com.

## LONDON STOCK EXCHANGE

MARKET REPORT

# Inflation news helps FT-SE 100 edge ahead

By Philip Coggan, Markets Editor

Shares in London managed to continue their recent slow-but-steady rally yesterday, with the help of some reasonable economic data. But with some bourses in Europe closed, activity was subdued and the FT-SE 100 index traded within a narrow range of 11.5 points.

The UK inflation numbers were in line with forecasts, with the headline index down 0.4 per cent month-on-month and the underlying index (which excludes mortgage payments) down 0.5 per cent. The annual rate of underlying inflation remained at 2.8 per cent, just outside the government's target band of 1-2.5 per cent.

Nevertheless, the figures showed few signs of inflationary pressure. "It is too soon to abandon hope of a final base rate reduction, although such a move would clearly be strongly opposed by the Bank of England," says Mr Adam Cole, UK economist at HSBC James Capel.

Gilts rose on the news, although they fell back in the afternoon in line with Treasury bonds, which reacted to stronger-than-expected US economic data. The benchmark 10-year gilt ended just two ticks ahead.

The US news also hit the Dow Jones Industrial Average, which was around eight points lower at the close of London trading.

The FT-SE 100 index was ahead throughout the session, and finished 7.1 points higher at 3,837.4, within 20 points of its all-time peak. The FT-SE Mid-250 index managed a more modest gain of 4.1 to 4,356.0.

Footsie has now risen by more than 200 points over the past month. Mr Michael Hart, who manages the Foreign & Colonial Investment Trust says he could see the FT-SE 100 index moving a bit further forward to 4,000. "The key factor is Wall Street and if that had a nasty setback nothing would hold up. But one of these weeks the Bundesbank will reduce rates and that could provide an opportunity for the UK chancellor to make a further cut."

Adds Mr Hart: "One feels earnings and dividend growth are going to continue to be reasonable and when the holiday season is over, takeovers might well start up again."

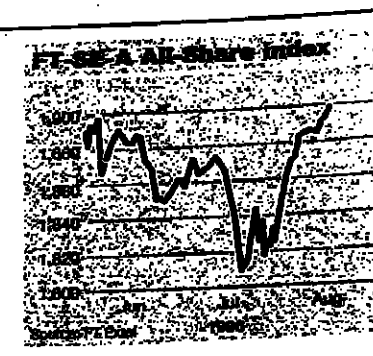
There were a couple of small corporate deals yesterday – a £25m bid for upholstery distributor Rexmore and an offer in the Lloyds investment trust sector.

But bid hopes faded at pub operator Tom Cobleigh, which said it was not in talks, and at Yorkshire Tyne-Tees TV, where Granada hinted it might be looking elsewhere for a target.

Third quarter figures from Hanson did nothing to inspire the shares, which have been dismal performers this year.

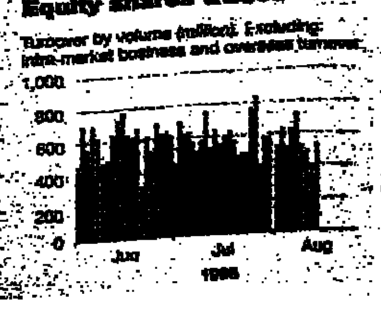
Volume was hit yesterday by a brief computer problem at Merrill Lynch, one of the leading market-makers. By the 6pm count, 530.3m shares had been traded, of which 55.4 per cent was in non-FT-SE 100 stocks. The value of retail business on Wednesday was a modest £1.49bn.

FT-SE-A All-Share Index




Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover.




### Indices and ratios

| | | |
|---|---|---|
| FT-SE 100 | 3837.4 | +7.1 |
| FT-SE Mid 250 | 4356.0 | +4.1 |
| FT-SE-A 350 | 1920.8 | +3.2 |
| FT-SE-A All-Share | 1897.81 | +3.16 |
| FT-SE-A All-Share yield | 3.88 | 3.89 |
| FT Ordinary index | 2801.9 | +1.9 |
| FT-SE-A Non Fins p/e | 17.30 | 17.22 |
| FT-SE 100 Fut Sep | 3845.0 | +9.0 |
| 10 yr Gilt yield | 7.81 | 7.82 |
| Long gilt/equity yld ratio | 2.11 | 2.10 |

### Best performing sectors

1 Banks: Retail ........ +0.9
2 Household Goods ........ +0.9
3 Paper: Pckg & Printing ........ +0.8
4 Oil: Integrated ........ +0.7
5 Oil Exploration & Prod ........ +0.6

### Worst performing sectors

1 Water ........ −1.1
2 Diversified Industrials ........ −1.0
3 Gas Distribution ........ −0.5
4 Electricity ........ −0.3
5 Utilities ........ −0.3

# Waters active on switch

By Peter John, Lisa Wood and Jeffrey Brown

Water leaders Thames and Severn Trent took a bath as investors switched holdings into rival Yorkshire Water.

Yorkshire has been trawling institutions and brokers with a series of presentations and may have focused attention on the next share buy-back in the sector.

Some dealers said Yorkshire had hinted at a buy-back early next year rather than late this autumn. This would allow the company to make amends to customers first of all and would remove the potential for embarrassment with the taxman.

Although the rules for share buy-backs are shadowy, any form of speculative investment is frowned upon. Thames trickled down 15 to 549p and Severn Trent 11 to 586p, while Yorkshire rose 2½ to 660½p.

### Yorkshire TV dips

Yorkshire Tyne-Tees Television was volatile as early hints that Granada might not make a full bid shifted to suspicions of skilful diplomacy by the takeover giant.

Mr Duncan Lewis, chief executive of Granada Media, hinted that Scottish or HTV might be more suitable acquisitions than Yorkshire, in which Granada already has nearly 24 per cent.

Initially, this was received with surprise as investors had always presumed that the relaxation of controls through the latest Broadcasting Bill had left a bid for Yorkshire on the cards.

Yorkshire shares toppled 80p at one stage. Then, some cynics suggested Mr Lewis might have realised his comments would prompt a slide in the shares and make highly-priced Yorkshire attractive once more. The stock bounced to end only 38 lower at 1235p.

Meanwhile, Scottish gained 6 to 718p but HTV slid 6 to 353p. Beneath the potential for consolidation within the sector are some uninspiring advertising revenue estimates. The latest figures for September show ad revenue down to between £135m and £137m, from earlier forecasts of £148m. Granada gained 9 to 866p.

### BTR payout fears

Hopes for good news on trading from Hanson came to nothing and ABN Amro Hoare Govett put out a bearish note on BTR. It added up to another torrid day for conglomerates.

Ahead of next month's interim results, ABN has taken an axe to its BTR dividend forecast, on the grounds that cash cover for the next three years is likely to be negligible. It has cut payout expectations for this year by 40 per cent to 8.8p.

The broker is looking for a modest restoration next year but is clearly troubled about the outlook for cashflow. Its profit estimates for this year have come down from £1.36bn to £1.3bn and by £80m to £1.43bn for 1997.

The shares, which along with Hanson have lagged the market by more than 20 per cent this year, fell 5¼ to 258p in the day's second heaviest Footsie volume. Turnover was 9.2m.

Hanson shed 2 to 166½p, in 9m traded, as third quarter profits came in at the bottom end of the City forecast range. Analysts claimed to have learned little new about Hanson's trading background and said the spotlight now turned to the first of the group's demerger documents, due out on August 23.

A negative note from BZW, plus a sizeable placing by NatWest Securities, cast a cloud over support services leader Rentokil which fell 4¼ to 415p in above average volume of 5.9m.

BZW has reiterated its sell stance ahead of next week's interim results. The broker's basic story has not changed with the BET acquisition thought to be raising the group's risk profile and diluting earnings.

According to Mr Nyren Scott-Malden, BZW analyst, the shares, which stood at 290p a year ago, are at least 10 per cent too high. He would be happier with Rentokil's rating if the shares came back to 360p.

NatWest was said to have placed 1.5m shares at 413p having acquired the stock at 411p.

Merrill Lynch advised US clients to buy Barclays, which recently announced striking interim figures.

Barclays also remains one of BZW's favoured stocks alongside Lloyds TSB and Standard Chartered. Mr Hugh Pye at BZW said: "The banks are cheap and it is taking people a long time to realise that the quality of their earnings is good." He has Barclays on a p/e relative of 65 against the FT-SE-A All-Share Index and believes it should be at least 85. In respect of the other two banks, he argues they should be at a premium to the market.

The sector received further help from some encouraging retail price data, which took more heat out of any UK inflation worries. Barclays gained 15 to 909p, Lloyds 5½ to 359½p and Standard 12 to 703p.

Zeneca, the pharmaceuticals group, lifted 6 to 1474p, a closing peak, with the stock helped by a marketing agreement with Bayer of Germany. Takeover speculation also continues to circulate, although the company is beginning to seem an increasingly expensive jewel for even the richest crown.

Mobile phones group Orange put on 7½p to 187p, on volume of 7.2m, after the second positive broker note in two days ahead of next week's interims.

Although yesterday's report, from Natwest Securities, said the pre-tax loss would be in the region of £125m to £135m compared to an normalised loss of £197m in 1995 as a whole, the broker's recommendation is "add".

Orange has fallen 30 per cent since April. Natwest analysts said: "Given its pure UK exposure and the immaturity of its business, this performance is not surprising". While it was difficult to foresee a short-term turn in sector sentiment, next week's figures offered management an opportunity to emphasise the positive aspects, NatWest said.

A classic Fairey deal was how one analyst described the electronic group's $126m takeover of Fusion UV Systems of the US.

Fusion is a high tech leader in a niche field, and the purchase is said to be earnings-enhancing from year one. Finally, it is a biggish deal with the take-out price representing some 10 per cent of Fairey's market capitalisation. Fairey added 15 to 641p.

Lloyds Chemists climbed 12 to 482p following media reports suggesting both potential bidders for the company might be able to satisfy Monopolies and Mergers Commission qualifications so that bids could proceed.

## FINANCIAL TIMES EQUITY INDICES

| | Aug 15 | Aug 14 | Aug 13 | Aug 12 | Aug 9 | Yr ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| Ordinary Share | 2801.9 | 2800.0 | 2796.2 | 2794.3 | 2796.3 | 2617.2 | 2885.2 | 2668.8 |
| Ord. div. yield | 4.08 | 4.08 | 4.09 | 4.08 | 4.08 | 4.12 | 4.22 | 3.76 |
| P/E ratio net | 16.94 | 16.92 | 16.89 | 16.44 | 16.44 | 15.64 | 17.25 | 15.80 |
| P/E ratio nil | 16.76 | 16.74 | 16.72 | 16.28 | 16.28 | 15.46 | 17.08 | 15.71 |

Ordinary Share Index since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

| Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.00 | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 2806.4 | 2802.3 | 2802.6 | 2803.2 | 2802.7 | 2804.0 | 2804.5 | 2802.6 | 2804.3 | 2807.0 | 2800.6 |

| | Aug 15 | Aug 14 | Aug 13 | Aug 12 | Aug 9 | Yr ago |
|---|---|---|---|---|---|---|
| SEAQ bargains | 28,417 | 27,738 | 29,842 | 30,653 | 30,417 | 22,405 |
| Equity turnover (£m)† | - | 1494.2 | 1462.9 | 1015.6 | 1381.9 | 1583.4 |
| Equity bargains† | - | 34,506 | 33,606 | 34,305 | 35,582 | 34,519 |
| Shares traded (ml)† | - | 505.7 | 539.0 | 393.7 | 480.8 | 627.8 |

†Excluding intra-market business and overseas turnover.

| | Aug 15 | Aug 14 | Aug 13 | Aug 12 | Aug 9 | Yr ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| FT-SE AIM | 1070.60 | 1070.40 | 1068.90 | 1070.80 | 1069.60 | - | 1140.40 | 965.70 |

*For 1996.

### London market data

| Rises and falls* | | 52 Week highs and lows | | LIFFE Equity options | |
|---|---|---|---|---|---|
| Total Rises | 699 | Total Highs | 88 | Total contracts | 42,502 |
| Total Falls | 432 | Total Lows | 27 | Calls | 23,768 |
| Same | 1,562 | | | Puts | 18,734 |

Aug 15 *Data based on Equity shares listed on the London Share Service.

## FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 3841.0 | 3845.0 | +9.0 | 3855.0 | 3840.0 | 9113 | 62253 |
| Dec | 3861.0 | 3865.0 | +8.0 | 3872.0 | 3861.0 | 472 | 4813 |
| Mar | 3878.0 | 3877.0 | +9.0 | 3878.0 | 3878.0 | 40 | 310 |

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 4373.0 | 4373.0 | +23.0 | 4376.0 | 4373.0 | 391 | 3490 |

FT-SE 100 INDEX OPTION (LIFFE) (*3838) £10 per full index point

Calls 10,738 Puts 4,446

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

Calls 7,034 Puts 9,618 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

## LONDON RECENT ISSUES: EQUITIES

| Issue price p | Amt paid up | Mkt. cap (£m.) | 1996 High | 1996 Low | Stock | Close price p | +/- | Net div. | Div. cov. | Grs yld | P/E net |
|---|---|---|---|---|---|---|---|---|---|---|---|
| §70 | F.P. | 16.5 | 78 | 67 | †AND Intl | 77 | +10 | - | - | - | 46.1 |
| §60 | F.P. | 7.95 | 58 | 33 | †Allzyme | 46 | | - | - | - | - |
| * | F.P. | 879.9 | £20$\frac{13}{32}$ | £18$\frac{11}{32}$ | Alumax | £19$\frac{13}{32}$ | | - | - | - | - |
| §100 | F.P. | - | 100 | 100 | Amer Opps Ln 03/06 | 100 | | - | - | - | - |
| - | F.P. | 12.7 | 68 | 66 | †Barbican Hlthcre | 66 | -2 | - | - | - | - |
| §110 | F.P. | 10.1 | 148 | 120 | †Chemical Design | 148 | +12 | - | - | - | - |
| * | F.P. | 5.17 | 4 | 4 | †Dentmaster Hldgs | 4 | | - | - | - | - |
| §8 | F.P. | 3.07 | 4 | 4 | †Drings of Bath | 4 | | - | - | - | - |
| § | F.P. | 67.8 | 677¼ | 676½ | Egypt Trust | 677¼ | | - | - | - | - |
| §145 | F.P. | 42.3 | 218 | 148 | †Elec Retail Sys | 201 | -12 | - | - | - | - |
| § | F.P. | 2.52 | 53 | 41 | †Fayrewood | 48 | | - | - | - | - |
| § | F.P. | 19.0 | 63 | 61 | †Gail Thomson Ew | 61 | | W- | - | - | 8.7 |
| 163 | F.P. | 22.6 | 202 | 169 | †HIT Entm | 202 | | - | - | - | 65.6 |
| §65 | F.P. | 18.2 | 65 | 65 | Hambros Sm Asn C | 65 | | - | - | - | - |
| §100 | F.P. | 24.2 | 98 | 94 | Hoare Gvt 1000 C | 97 | | - | - | - | - |
| §12 | F.P. | 0.60 | 15 | 12 | †Life Numbers | 12 | | - | - | - | - |
| § | F.P. | 0.16 | 6 | 2 | †Life Numbers Wts | 5 | | - | - | - | - |
| - | F.P. | 4.42 | 14½ | 13 | †Lon & Edinburgh | 14½ | | - | - | - | - |
| § | F.P. | 0.26 | 1½ | 1 | †Lotteryking Wts | 1½ | | - | - | - | - |
| - | F.P. | 0.38 | 2 | 1½ | †Pordum Foods Wts | 1¾ | | - | - | - | - |
| §105 | F.P. | 29.9 | 130 | 105½ | Robert Walters | 130 | +1 | L2.0 | 3.9 | 1.9 | 16.5 |
| §149 | F.P. | 19.3 | 165 | 151 | †SCi Ent | 165 | | - | - | - | 11.6 |
| §100 | F.P. | 79.6 | 96 | 90½ | Schroder Em Ctzs | 91¼ | -¼ | - | - | - | - |
| § | F.P. | 6.28 | 37 | 31 | Schroder Em Wts | 36 | | - | - | - | - |
| - | F.P. | 40.7 | 370 | 343 | Schroder Em Ct C | 370 | | - | - | - | - |
| §66 | F.P. | 13.3 | 70 | 68 | †Selector | 68 | | - | - | - | - |
| 145 | F.P. | 471.0 | 163 | 158 | Somerfield | 157 | | W9.0 | 2.5 | 7.2 | 7.0 |
| - | F.P. | 4.83 | 125 | 120 | †West 175 Entrs | 125 | | - | - | - | - |

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

## FT GOLD MINES INDEX

| | Aug 14 | % chg on day | Aug 13 | Year ago | Gross div yield % | P/E ratio | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|---|---|
| Gold Mines Index (31) | 2009.99 | -1.8 | 2045.83 | 2087.88 | 1.57 | - | 2528.73 | 1722.93 |
| **Regional Indices** | | | | | | | | |
| Africa (13) | 2622.57 | -1.5 | 2663.50 | 2795.94 | 3.03 | 37.14 | 3553.86 | 2272.74 |
| Australasia (7) | 2396.86 | -0.5 | 2408.34 | 2457.19 | 2.39 | 22.74 | 2927.34 | 2123.50 |
| North America (11) | 1783.98 | -2.1 | 1822.38 | 1717.21 | 0.74 | 64.72 | 2188.39 | 1488.94 |

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## FT - SE Actuaries Share Indices — The UK Series

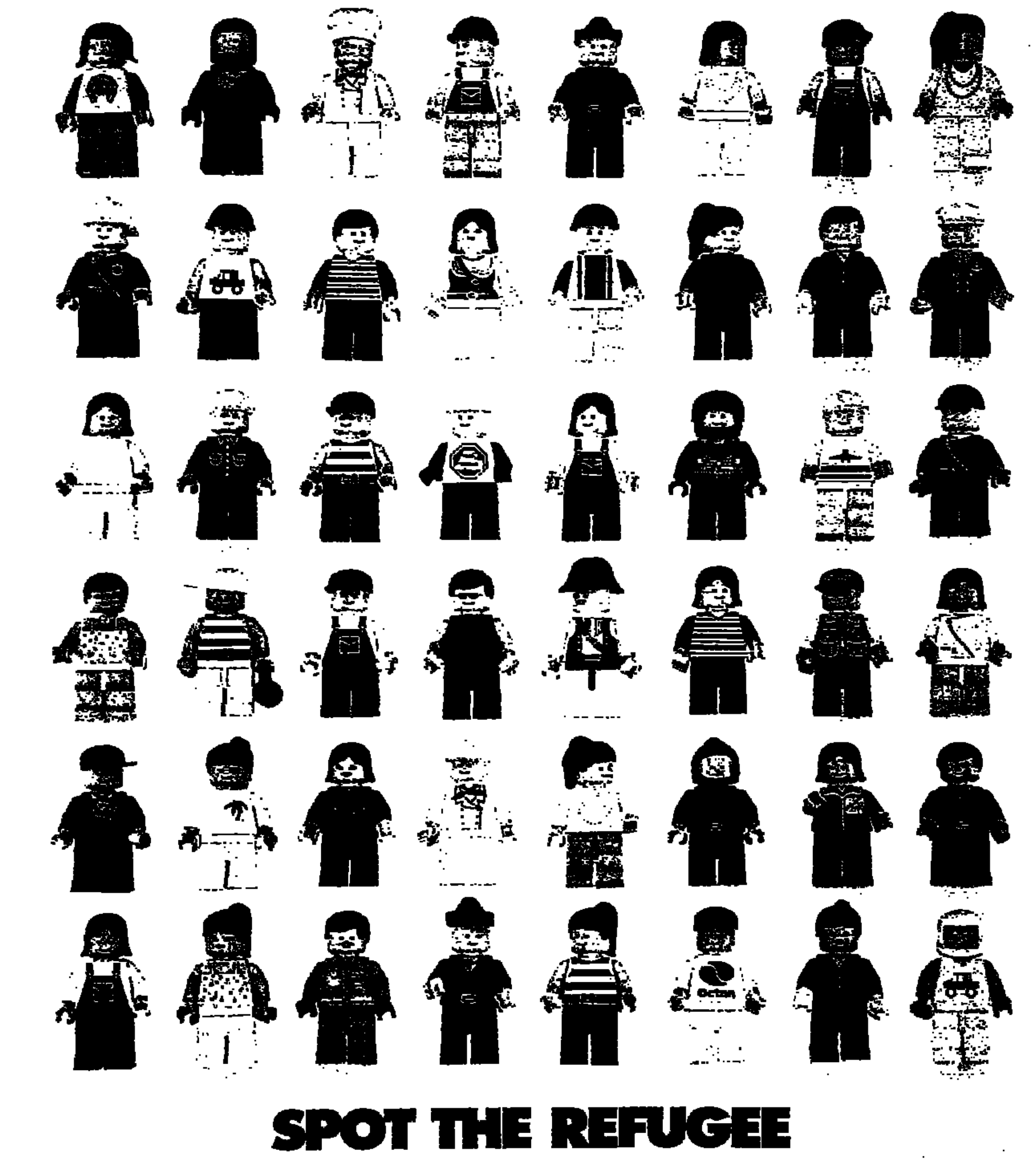
| | Aug 15 | Day's chge% | Aug 14 | Aug 13 | Aug 12 | Year ago | Div. yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 3837.4 | +0.2 | 3830.3 | 3823.4 | 3803.3 | 3470.6 | 4.07 | 2.07 | 14.82 | 124.79 | 1585.69 |
| FT-SE Mid 250 | 4356.0 | +0.1 | 4351.9 | 4346.1 | 4331.9 | 3670.4 | 3.46 | 1.56 | 23.12 | 123.76 | 1762.11 |
| FT-SE Mid 250 ex Inv Trusts | 4390.8 | +0.1 | 4387.4 | 4380.2 | 4365.6 | 3682.5 | 3.55 | 1.59 | 22.05 | 130.38 | 1779.62 |
| FT-SE-A 350 | 1920.8 | +0.2 | 1917.6 | 1914.3 | 1905.1 | 1730.8 | 3.94 | 1.98 | 16.04 | 60.79 | 1621.31 |
| FT-SE-A 350 Higher Yield | 1842.2 | ---- | 1842.4 | 1840.7 | 1836.1 | 1719.6 | 5.26 | 1.88 | 12.61 | 77.29 | 1306.60 |
| FT-SE-A 350 Lower Yield | 2006.7 | +0.3 | 2000.1 | 1995.3 | 1981.4 | 1746.2 | 2.75 | 2.13 | 21.31 | 44.74 | 1397.35 |
| FT-SE SmallCap | 2130.69 | +0.2 | 2127.26 | 2126.19 | 2122.93 | 1947.86 | 3.11 | 1.67 | 24.09 | 42.92 | 1757.42 |
| FT-SE SmallCap ex Inv Trusts | 2123.57 | +0.2 | 2120.12 | 2118.28 | 2115.35 | 1923.02 | 3.33 | 1.75 | 21.40 | 45.00 | 1782.81 |
| FT-SE-A ALL-SHARE | 1897.81 | +0.2 | 1894.65 | 1891.62 | 1882.85 | 1711.73 | 3.88 | 1.96 | 16.45 | 58.39 | 1626.17 |

### FT-SE Actuaries All-Share

| | Aug 15 | Day's chge% | Aug 14 | Aug 13 | Aug 12 | Year ago | Div. yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 10 MINERAL EXTRACTION(24) | 3605.42 | +0.6 | 3585.36 | 3580.79 | 3567.20 | 2907.01 | 3.77 | 1.63 | 20.36 | 93.81 | 1559.80 |
| 12 Extractive Industries(6) | 4216.03 | -0.1 | 4218.76 | 4161.27 | 4112.79 | 4047.39 | 3.61 | 2.52 | 13.04 | 109.19 | 1240.64 |
| 15 Oil, Integrated(3) | 3696.52 | +0.7 | 3672.22 | 3675.86 | 3667.61 | 2887.62 | 3.95 | 1.48 | 21.39 | 100.98 | 1642.04 |
| 16 Oil Exploration & Prod(15) | 2557.93 | +0.6 | 2541.44 | 2538.08 | 2523.11 | 2010.04 | 2.04 | 1.52 | 40.24 | 34.94 | 1540.60 |
| 20 GEN INDUSTRIALS(276) | 2018.36 | -0.1 | 2020.12 | 2014.38 | 2009.66 | 1969.00 | 4.29 | 1.82 | 16.03 | 55.15 | 1112.94 |
| 21 Building & Construction(34) | 1158.14 | ---- | 1156.43 | 1150.58 | 1142.03 | 964.38 | 3.58 | 1.67 | 20.93 | 23.05 | 971.64 |
| 22 Building Matls & Merchs(29) | 1883.38 | +0.2 | 1880.18 | 1864.87 | 1854.20 | 1824.03 | 4.08 | 1.71 | 17.97 | 47.61 | 958.29 |
| 23 Chemicals(25) | 2375.48 | +0.1 | 2373.68 | 2376.79 | 2410.58 | 2470.73 | 4.25 | 1.63 | 18.01 | 62.58 | 1133.99 |
| 24 Diversified Industrials(19) | 1551.11 | -1.0 | 1567.01 | 1566.37 | 1555.11 | 1832.56 | 6.71 | 1.64 | 11.39 | 62.63 | 879.24 |

## TRADING VOLUME

Major Stocks Yesterday



# SPOT THE REFUGEE

There he is. Fourth row, second from the left. The one with the moustache. Obvious really.

Maybe not. The unsavoury-looking character you're looking at is more likely to be your average neighbourhood slob with a grubby vest and a weekend's stubble on his chin.

And the real refugee could just as easily be the clean-cut fellow on his left.

You see, refugees are just like you and me.

Except for one thing.

Everything they once had has been left behind. Home, family, possessions, all gone. They have nothing.

And nothing is all they'll ever have unless we all extend a helping hand.

We know you can't give them back the things that others have taken away.

We're not even asking for money (though every cent certainly helps).

But we are asking that you keep an open mind. And a smile of welcome.

It may not seem much. But to a refugee it can mean everything.

UNHCR is a strictly humanitarian organization funded only by voluntary contributions. Currently it is responsible for more than 19 million refugees around the world.

UNHCR Public Information
P.O. Box 2500
1211 Geneva 2, Switzerland

UNHCR
United Nations High Commissioner for Refugees

INT

هكذا من الاصل



Highs & Lows shown on a 52 week basis

# WORLD STOCK MARKETS



## AUSTRALIA (Aug 15 / Aust$)

| | | +/- | High | Low | Yld | P/E |
|---|---|---|---|---|---|---|
| Abloyd | 3.10 | — | 4.02 | 2.58 | 3.2 | — |
| AdvBnk | 5.23xd | ... | 6.14 | 4.43 | 11.5 | — |
| Amcor | 7.94 | +.05 | 10.88 | 7.52 | 4.8 | ... |
| Amtds | 8.40 | −.02 | 9.26 | 8.30 | 3.8 | 32.3 |
| Ashton | 1.68 | +.08 | 2.34 | 1.52 | 3.6 | — |
| ANZ Bk | 6.51 | +.03 | 6.90 | 6.14 | 5.1 | — |
| AusFou | 1.92xd | −.03 | 2.25 | 1.79 | 5.1 | 21.3 |
| AusGLt | 5.46 | −.02 | 5.74 | 4.35 | 4.8 | ... |
| AMI | 1.03 | — | 1.26 | 0.95 | 8.7 | 3.3 |
| AProvN | 2.48 | −.04 | *2.85 | 2 | 3.3 | ... |
| BHP | 17.08 | −.02 | 20.05 | 15.90 | 3.0 | 26.7 |
| Beacnf | 1.10 | −.02 | 1.63 | 0.95 | ... | — |
| Boral | 3.17 | — | 3.75 | 2.91 | 6.6 | — |
| BougCp | 0.51 | — | 0.74 | 0.61 | ... | — |
| Brmbls | 18.45 | −.10 | 18.75 | 13.04 | 3.5 | 46.1 |
| BrasPh | 2.08 | +.05 | 3.35 | 1.90 | 9.1 | 9.9 |
| CSR | 4.38 | −.08 | 4.74 | 4.08 | 8.5 | 18.2 |
| CRA | 18.98 | −.02 | 22.30 | 17.28 | 3.4 | — |
| Caltex | 5.38 | −.11 | 5.75 | 3.84 | 4.1 | — |
| Clyde | 1.97 | +.01 | 1.98 | 1.35 | 6.1 | — |
| CCAmat | 16.41 | −.04 | 16.96 | 8.96 | 1.2 | ... |
| ColesM | 4.40 | +.03 | 4.70 | 3.80 | 5.0 | ... |
| Cmalco | 7.30 | — | 7.96 | 6.25 | 3.4 | — |
| CommBk | 10.70 | +.07 | 12.06 | 9.32 | 7.7 | ... |
| DelteG | 3.14 | −.04 | *3.75 | 2.84 | ... | — |
| Email | 3.18 | +.07 | 3.78 | 2.97 | 6.8 | 15.9 |
| EnResA | 5.60 | +.15 | 6.25 | 3.75 | ... | — |
| FAI | 0.87 | — | 0.90 | 0.62 | 3.0 | 0.6 |
| Fairfx | 2.65 | — | 3.06 | 2.47 | 3.8 | — |
| Fostrs | 2.22 | −.03 | *2.40 | 2.02 | ... | ... |
| GoPrTr | 2.24 | — | 2.47 | 2.07 | 7.3 | 11.2 |
| GIOAus | 3.17 | — | 3.41 | 2.47 | 5.7 | — |
| GMKalg | 1.48 | −.02 | 1.70 | 1.01 | 2.0 | 2.7 |
| Gudfld | 2.95 | ... | 3.67 | 2.70 | — | ... |
| GdmanF | 1.29 | ... | 1.42 | 1.18 | 3.9 | ... |
| HrdieJ | 2.78 | +.04 | 2.82 | 2.10 | 4.7 | 8.9 |
| ICIAus | 11.20 | — | 12.20 | 8.93 | 4.8 | 43.1 |
| Jupitr | 2.53 | +.03 | 3.06 | 2.10 | 8.9 | — |
| Kidstn | 1.82 | - | 2.45 | 1.55 | 12.1 | ... |
| LendLs | 19.90 | — | 20.90 | 17.80 | 4.3 | 37.5 |
| LihirG | 2.20 | — | *2.39 | 1.48 | — | ... |
| MIM | 1.84 | +.05 | 2.06 | 1.47 | 3.0 | 41.0 |
| MaynaN | 7.86 | +.11 | 7.78 | 5.75 | 4.8 | 22.5 |
| McPhsn | 1.80 | +.05 | 1.80 | 0.02 | — | 8.6 |
| MatNat | 2.67 | +.07 | 3.35 | 2.55 | 6.0 | — |
| NAB | 12.14 | +.14 | 13.04 | 10.92 | 6.8 | 14.1 |
| NatCon | 0.85 | −.01 | 0.97 | 0.75 | 7.0 | 3.0 |
| Nucrst | 4.89 | −.08 | 6.66 | 4.25 | 2.6 | — |
| NewsCp | 8.52 | ... | 8.15 | 8.03 | 0.5 | 8.1 |
| NormMn | 2.10 | −.04 | 2.70 | 1.48 | 1.7 | ... |
| North | 3.58 | .. | 4.04 | 3.28 | 3.6 | ... |
| OPSM | 2.48 | +.02 | 2.52 | 1.92 | 5.2 | ... |
| Orbitl | 1.03 | +.03 | 1.61 | 0.78 | ... | — |
| PacDun | 2.77 | — | 3.37 | 2.56 | 6.1 | — |
| PacMag | 3.19 | −.01 | 3.40 | 2.56 | 6.8 | ... |
| Psanco | 1.89 | +.06 | 1.98 | 1.38 | 1.1 | ... |
| Pionin | 3.66 | — | 4.03 | 3.18 | 4.6 | 15.3 |
| PlaPac | 1.65 | −.03 | 3.26 | 1.52 | 1.5 | — |
| Plutnc | 6.10 | −.25 | 7.92 | 5.25 | 1.6 | — |
| PosGld | 3.28 | −.07 | 3.80 | 2.20 | 1.5 | — |
| PubBr | 5.58 | +.08 | 6 | 3.88 | 2.5 | — |
| QBE In | 7.48 | −.14 | 7.84 | 5.50 | 3.8 | — |
| QCT Rs | 1.70 | −.01 | 1.80 | 1.50 | 5.3 | — |
| QNI | 2.72 | +.05 | 3.31 | 2.31 | 3.7 | — |
| Qantas | 2.06 | −.07 | *2.47 | 1.87 | 1.7 | — |
| RGC | 5.60 | — | 6.80 | 5.10 | 1.7 | ... |
| Rothmn | 7 | — | 7.30 | 4.82 | 6.0 | ... |
| Santos | 4.65 | +.05 | 4.85 | 3.37 | 4.9 | 10.8 |
| Schlnt | 2.40 | — | 2.80 | 2.10 | ... | ... |
| 7 Netw | 3.84 | +.09 | 4.15 | 3.19 | 4.3 | — |
| SmithHw | 8.40 | +.05 | 8.60 | 5.64 | 3.9 | — |
| SonGwa | 8.10 | −.16 | 8.55 | 6.34 | 3.1 | ... |
| Stkc'p | 3.22 | +.03 | 3.66 | 2.78 | 8.1 | ... |
| SGeoBk | 8.20 | −.03 | 10 | 5.96 | 8.3 | ... |
| Stckld | 2.85xd | +.01 | 3.35 | 2.78 | 8.3 | 21.1 |
| TNT | 1.40 | +.01 | 2.10 | 1.19 | ... | 4.8 |
| Tabcrp | 5.88 | −.01 | 5.80 | 3.04 | 2.8 | — |
| WMC | 8.88 | +.05 | 9.82 | 7.80 | 2.3 | — |
| Wstrmr | 7.80 | +.16 | 8.76 | 7.16 | 4.2 | — |

## US INDICES

| Dow Jones | Aug 14 | Aug 13 | Aug 12 | 1996 High | 1996 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Industrials | 5666.88 | 5647.28 | 5704.98 | 5778.00 (22/5) | 5032.94 (10/1) | 5778.00 (22/5/96) | 41.22 (8/7/32) |
| Home Bonds | 102.53 | 102.58 | 102.44 | 106.09 (14/2) | 100.98 (15/7) | 108.77 (18/10/93) | 54.99 (1/10/81) |
| Transport | 2054.77 | 2057.62 | 2068.47 | 2296.20 (22/5) | 1882.71 (18/1) | 2296.20 (22/5/96) | 12.32 (8/7/32) |
| Utilities | 214.50 | 213.81 | 214.57 | 234.00 (12/2) | 204.86 (30/7) | 256.46 (31/8/93) | 10.50 (8/4/32) |

DJ Ind. Day's high 5695.00 (5713.86) Low 5614.36 (5618.06 ) (Theoretical❁)
Day's high 5668.00 (5702.40) Low 5630.27 (5635.44) (Actual❁)

| Standard and Poors | Aug 14 | Aug 13 | Aug 12 | 1996 High | 1996 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Composite‡ | 662.05 | 660.20 | 665.77 | 678.51 (24/5) | 598.48 (10/1) | 678.51 (24/5/96) | 4.40 (1/6/32) |
| Industrials♥ | 782.59 | 780.45 | 785.94 | 807.88 (5/6) | 702.07 (15/1) | 807.88 (5/6/96) | 3.62 (21/6/92) |
| Financial | 68.99 | 68.75 | 69.46 | 69.48 (12/8) | 58.67 (10/1) | 69.46 (12/8/96) | 8.64 (1/10/74) |
| NYSE Comp. | 353.64 | 352.62 | 355.13 | 363.74 (24/5) | 321.41 (10/1) | 363.74 (24/5/96) | 4.46 (25/4/42) |
| Amex Mkt Val | 550.34 | 548.79 | 552.52 | 614.99 (22/5) | 525.60 (16/7) | 614.99 (22/5/96) | 29.31 (9/12/72) |
| NASDAQ Cmp | 1133.51 | 1126.07 | 1138.27 | 1249.14 (5/6) | 988.57 (15/1) | 1249.14 (5/6/96) | 54.87 (31/10/72) |

■ RATIOS

| | Aug 9 | Aug 2 | Jul 26 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 2.21 | 2.20 | 2.28 | 2.46 |
| | Aug 14 | Aug 7 | Jul 31 | Year ago |
| S & P Ind. Div. yield | 2.04 | 2.03 | 2.10 | 2.07 |
| S & P Ind. P/E ratio | 22.04 | 21.16 | 21.35 | 18.68 |

■ NEW YORK ACTIVE STOCKS

| Wednesday | Stocks traded | Close price | Change on day |
|---|---|---|---|
| Wal-Mart | 5,977,800 | 25¾ | +¼ |
| Fed Natl | 5,844,300 | 33 | +¼ |
| Hewlett-Pkd | 5,491,100 | 43½ | -⅛ |
| PepsiCo | 5,164,600 | 31¼ | +⅛ |
| Cons Ed | 4,885,200 | 27¼ | ........ |
| Philip Mrrs | 4,830,400 | 91 | +1 |
| Compaq | 4,007,000 | 58⅛ | +1⅞ |
| Amer Rs | 3,241,500 | 62¾ | +4¾ |
| Amer T & T | 3,089,600 | 54⅛ | ........ |
| RJR Nabisco | 2,918,500 | 26⅝ | +⅛ |

■ TRADING ACTIVITY

● Volume (million)

| | Aug 14 | Aug 13 | Aug 12 |
|---|---|---|---|
| New York SE | 343.441 | 341.534 | 314.409 |
| Amex | 15.028 | 18.846 | 15.804 |
| NASDAQ | 441.961 | 418.838 | 381.000 |
| NYSE | | | |
| Issues Traded | 3,168 | 3,178 | 3,146 |
| Rises | 1,423 | 839 | 1,244 |
| Falls | 880 | 1,477 | 1,034 |
| Unchanged | 865 | 868 | 868 |
| New Highs | 68 | 52 | 83 |
| New Lows | 28 | 26 | 18 |

■ S&P 500

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 663.55 | 663.70 | +0.10 | 664.10 | 663.30 | 68,711 | 177,220 |
| Dec | – | 669.65 | – | – | 666.00 | 647 | 11,786 |

■ Nikkei 225

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 21050.0 | 20890.0 | +30.0 | 21170.0 | 20850.0 | 19,387 | 234,465 |
| Dec | 21090.0 | 21010.0 | +80.0 | 21170.0 | 20980.0 | 2,859 | 20,881 |

Open interest figures for previous day.

[illegible] GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. [illegible]'s highs and lows are the averages of the highest and lowest prices reached during the day by each [illegible] highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached [illegible] are previous day's). ♥ Subject to official recalculation.

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $



■ TOKYO - MOST ACTIVE STOCKS: Thursday, August 15, 1996

| | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|
| Mitsui Matushima | 7.2m | 845 | +38 |
| TYK Corp | 5.2m | 1170 | +30 |
| Nippon Comp Sys | 4.2m | 1540 | +20 |
| NEC Corp | 3.6m | 1190 | +10 |
| Fujitsu | 2.8m | 1000 | -10 |
| Kobe Steel | 2.6m | 302 | +5 |
| Nippon Stl Corp | 2.6m | 350 | |
| NKK Corp | 2.4m | 302 | +3 |
| Sumitomo Mtl Ind | 2.2m | 320 | -1 |
| Nichiboshin | 2.2m | 430 | |

*4 pm close August 15*

# NEW YORK STOCK EXCHANGE PRICES

| 1996 High | Low | Stock | Div | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Chng Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 22¾ | 17¾ | AAR | 0.48 | 2.4 | 19 | 275 | 20⅛ | 19¾ | 19⅞ | +⅛ |
| 48⅛ | 36⅛ | AMP x | 1.00 | 2.6 | 18 | 1744 | 39¼ | 38⅞ | 39 | -⅜ |
| 87½ | 66 | AMR | | | 16 | 5035 | 83⅛ | 82⅝ | 82⅝ | -⅞ |
| 50½ | 37⅞ | ASA x | 2.00 | 5.0 | 26 | 708 | 39¾ | 39⅜ | 39⅝ | +¼ |
| 47 | 30⅛ | AbbtL | 0.96 | 2.1 | 20 | 12430 | u47 | 45⅞ | 46¾ | +⅞ |
| 17¼ | 12¼ | Abitibi Pr | 0.40 | 3.0 | 6 | 334 | 13⅛ | 12⅞ | 13⅛ | +¼ |
| 20¼ | 13½ | ABM Ind | 0.35 | 2.0 | 17 | 83 | 17⅜ | 17⅛ | 17⅜ | +¼ |
| 18⅝ | 13⅞ | Acptncein | | | 35 | 16 | 17½ | 17¼ | 17½ | |
| 50⅛ | 37¼ | ACE Ltd | 0.58 | 1.2 | 11 | 2217 | 47⅛ | 46⅝ | 47 | +⅜ |
| 10⅛ | 9⅛ | ACM Gvt In x | 0.90 | 9.0 | 8 | 59 | 10 | 9⅞ | 10 | +⅛ |
| 7⅞ | 6⅝ | ACM GvOpp x | 0.57 | 8.1 | | 144 | 7 | 7 | 7 | |
| 7¼ | 6 | ACM Gvt Sp x | 0.66 | 10.0 | | 141 | 6⅝ | 6½ | 6⅝ | +⅛ |
| 9⅛ | 8¼ | ACM Gvt Se x | 0.90 | 10.3 | | 785 | 8⅞ | 8¾ | 8¾ | |
| 9½ | 8⅞ | ACM Man x | 0.90 | 9.6 | | 447 | 9⅜ | 9¼ | 9⅜ | |
| 13⅞ | 6⅛ | Acme Elect | 0.32 | 3.9 | 45 | 233 | 8⅝ | 7½ | 8¼ | +¾ |
| 17½ | 13⅞ | Acme Mills | | | 9 | 577 | 14½ | 14 | 14⅜ | +⅛ |
| 33¾ | 27¼ | Acordia | 0.80 | 2.6 | 18 | 54 | 31 | 30⅝ | 30⅞ | +⅛ |
| 21⅜ | 12 | Acuson | | | 69 | 91 | 13⅞ | 13¾ | 13⅞ | |
| 19½ | 17⅞ | Adams Expr x | 0.48 | 2.6 | 0 | 194 | 18¾ | 18⅝ | 18¾ | |
| 21¼ | 10¼ | AdvMic | | | 8 | 4208 | 13½ | 13 | 13⅜ | |
| 11⅛ | 8½ | Advest Grp | 0.16 | 1.6 | 7 | 17 | 10 | 9⅞ | 9⅞ | |
| 26⅛ | 9⅛ | Advo Inc | 0.10 | 1.0 | 508 | 371 | 10¼ | 10 | 10⅛ | |
| 50⅜ | 41⅛ | Aegon | 1.19 | 2.5 | 14 | 221 | 47⅝ | 47⅛ | 47½ | -½ |
| 6¾ | 3½ | Aerfa | | | 3 | 303 | 5½ | 5⅛ | 5½ | +⅛ |
| 66⅝ | 57⅝ | Aetna | 2.76 | 4.2 | 7 | 6798 | u66⅝ | 65¼ | 66¼ | +1⅛ |
| 38½ | 28¼ | Afflc x | 0.40 | 1.2 | 14 | 6137 | 35½ | 34¾ | 34¾ | -⅝ |
| 20⅜ | 17⅛ | AGL Res x | 1.06 | 5.3 | 16 | 2319 | 20¼ | 19¾ | 20⅛ | +⅜ |
| 28 | 21¼ | Ahmnsn x | 0.88 | 3.4 | 7 | 1795 | 25⅞ | 25⅝ | 25⅝ | |
| 60⅞ | 50⅜ | AirPrC | 1.10 | 2.0 | 14 | 1974 | 54¾ | 54¼ | 54½ | -⅜ |
| 28⅛ | 20¼ | Airbrne Frt | 0.30 | 1.4 | 14 | 458 | 22 | 21¾ | 21⅞ | +⅛ |
| 22½ | 15½ | Airgas Inc | | | 36 | 8753 | 22⅜ | 21⅜ | 22⅜ | +1⅜ |

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

4 pm close August 15

# NYSE PRICES

| 1996 High | Low | Stock | Div | Yld % | P/E | Sls 100s | High | Low | Close Quote | Chng Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| Continued from previous page | | | | | | | | | | |
| 32½ | 22¾ | [illegible] x | 0.60 | 1.9 | 15 | 710 | 32 | 31¼ | 32 | +¾ |
| 20½ | 12 | SciAtl | 0.06 | 0.4 | 169 | 1104 | 13¾ | 13⅜ | 13½ | |
| 21 | 17 | Scotsman | 0.10 | 0.5 | 11 | 206 | 20½ | 20⅜ | 20½ | |
| 47½ | 38⅛ | Scripps | 0.52 | 1.2 | 25 | 447 | 45 | 44½ | 44⅝ | +½ |
| 18½ | 13¼ | [illegible] | 0.02 | 0.1 | | 128 | 13⅝ | 13⅜ | 13½ | |
| 12⅞ | 11 | [illegible] | 0.16 | 1.3 | | 161 | 12½ | 12⅜ | 12⅜ | |
| 20½ | 16 | [illegible] x | 0.17 | 0.9 | 2 | 18 | 18⅞ | 18⅝ | 18⅞ | |
| 16 | 15 | [illegible] | 1.46 | 9.6 | | 4 | 15¼ | 15¼ | 15¼ | |
| 57¾ | 36⅛ | S'gate | | | 25 | 36834 | 52¾ | 50¼ | 52¾ | +⅞ |
| 38¾ | 30⅞ | Seagrm | 0.60 | 1.8 | 28 | 1635 | 33⅞ | 33½ | 33¾ | |
| 26 | 17⅛ | [illegible] | 1.20 | 6.6 | 11 | 606 | 18½ | 18⅛ | 18⅛ | -⅛ |
| 38⅝ | 26 | Sealed Air | 0.64 | 1.7 | 25 | 289 | 37⅞ | 37¼ | 37½ | -⅛ |
| 53⅞ | 38¼ | SearsR | 0.92 | 2.1 | 16 | 11187 | 45⅛ | 44½ | 44⅝ | -¼ |
| 22⅜ | 19¼ | [illegible] x | 1.24 | 5.9 | 19 | 414 | 21⅛ | 20⅞ | 21 | -⅛ |
| 13 | 11⅞ | [illegible] x | 0.84 | 6.8 | | 5 | 12⅜ | 12⅜ | 12⅜ | |
| 23¾ | 13⅝ | [illegible] x | 0.22 | 1.1 | 18 | 9544 | 19¾ | 18¾ | 19½ | +2 |
| 44⅞ | 29½ | SequaA | 0.60 | 1.4 | 110 | 66 | 42⅛ | 41⅞ | 42⅛ | +⅝ |
| 50 | 39 | SequaB | 0.50 | 1.0 | 130 | 30 | 49½ | 48¼ | 49½ | +1¾ |
| 60¼ | 38⅞ | ServCp | 0.41 | 0.7 | 28 | 2155 | 58⅞ | 58⅝ | 58¾ | +⅛ |
| 23½ | 19½ | [illegible] | 0.68 | 3.0 | 14 | 381 | 22⅞ | 22¾ | 22¾ | |
| 6¾ | 4½ | [illegible] | | | 10 | 523 | 4¾ | 4⅝ | 4¾ | |
| 46¼ | 28½ | SGSThom | | | 7 | 240 | 37½ | 37⅜ | 37⅜ | |

# NASDAQ NATIONAL MARKET

4 pm close August 15

# AMEX PRICES

4 pm close August 15

AMERICA

# Mixed data leave Dow becalmed

## Wall Street

US equities were holding near to Wednesday's closing prices amid mixed economic data and little in the way of corporate news, *writes Lisa Bransten in New York.*

At 1 pm, the Dow Jones Industrial Average was off 1.47 at 5,665.41, while the more broadly based Standard & Poor's 500 had risen 0.67 at 662.72, and the American Stock Exchange composite was up 1.11 at 551.45. Volume on the NYSE was very light at 174m shares.

Technology shares were also mostly flat with the Nasdaq composite, which is weighted toward that sector, off 1.25 at 1,132.26. The Pacific Stock Exchange technology index added 0.3 per cent.

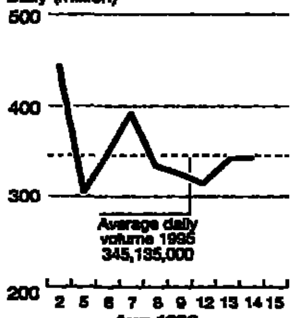
Data on industrial production was stronger than expected, rising 0.1 per cent last month when most economists had expected a modest decline; but the Federal Reserve Bank of Philadelphia's index of business activity fell sharply in August.

Orchard Supply Hardware jumped $5 or 17 per cent to $34¾ after announcing that Sears Roebuck had agreed to acquire the company for $35 a share. The company also reported second quarter earnings of 66 cents a share, 11 cents ahead of analysts' estimates.

Medaphis, a healthcare services company, tumbled $21 11/16 or 61 per cent to $13 13/16 after announcing that it expected to report a third quarter loss of 28 to 33 cents a share. Several brokerage houses also reduced their ratings and the company's stock was the most actively traded issue on the Nasdaq market at noon in volume of nearly 31m shares.

Several retailers reported results. Saks Holdings climbed $1¾ or 5 per cent at $35 after reporting a smaller-than-expected loss of 31 cents a share; the Gap fell $⅝ at $34¾ in spite of reporting second quarter earnings of 23 cents a share, 3 cents ahead of expectations; Barnes & Noble added $¼ at $32⅝ as its loss of 8 cents a share was in line with expectations.

**NYSE volume**




## Canada

Toronto staged a partial recovery in golds, up 1.3 per cent after Wednesday's 1.7 per cent fall in the sector. By noon, the TSE 300 composite index was 12.10 higher at 5,060.92 as turnover leapt from 28.4m shares to 40m.

The exchange announced that it was adding Sherritt International to the TSE 300, and Sherritt led active stocks at midsession, rising 75 cents or more than ten per cent to C$7.50 in 1.24m shares.

Potash Corp of Saskatchewan climbed C$3.25 to C$97.75 on its talks to buy 51 per cent of the quoted Kali und Salz from BASF of Germany at a price below market value.

Bema Gold jumped C$5 to C$12 on further drilling results from its Cerro Casale deposit in northern Chile.

# Rand woes in S Africa

Johannesburg was undermined again by a fall in the value of the rand, and by growing expectations that interest rates might be lifted before the weekend.

The rand was at an all-time low against the dollar, and both domestic and foreign investors sold stock as it looked likely that the Reserve Bank would lift its official Bank rate from 16 per cent in support of the currency.

The overall index was down 52 at 6,564, the industrial index dropped 79 or 1 per cent, to 7,774 and the gold index shed 16 to 1,762.

Iscor, the steel maker, dropped 4 cents to R2.76, which left it only 2 cents above its 1996 low.

Other prominent movers included De Beers, off R1 to R130.50, Absa off 65 cents at R20.70, Remgro down R1.45 at R38.30 and Dries off R1.50 at R58.50.

# Buenos Aires up 2.8%

A recovery mounted in BUENOS AIRES looked set to end a five day losing streak triggered by the government's announcement of its economic programme. By midday the Merval index was up 14.12 or 2.8 per cent at 513.99, after a loss of 9.5 per cent in local currency terms since last Thursday.

MEXICO CITY liked Vitro, the glass manufacturer, which posted strong gains after it announced that it was trying to sell its US division, Anchor Glass. Vitro was up 2.4 per cent by midsession as the IPC index rose 11.88 to 3,277.09.

Telmex L shares, and those of its holding company Grupo Carso, were in decline during the morning, both of them losing more than 1 per cent.

Traders felt that the drop in the price of Telmex was not based on fundamentals, but that it was an adjustment after a speculative rally on Wednesday.

EUROPE

# Stockholm fields rate cut, Astra, Ericsson

Several bourses were closed for Assumption Day. But STOCKHOLM had it all: a rate cut from the central bank, the fifth so far this year, better-than-expected earnings at the halfway stage from Ericsson and disappointment from Astra, which turned in weaker than anticipated figures.

The net result was a rise in the Affärsvärlden general index of 4.2 to 1,980.0.

Ericsson, up SKr8 at SKr147, said that it might need to dispose of some of its subsidiaries to free resources and improve cash-flow. This was due to the company's rapid expansion.

Astra fell SKr8.50 to SKr274.50 as it saw its interims affected by the strength of the crown. But looking deeper, brokers found comfort in a number of factors, including good sales of its beta-blocker drug, even though sales of its anti-ulcer treatment were slightly weaker than anticipated.

Volvo, meanwhile, shed SKr4.5 at SKr140 as it replaced a senior manager at its US trucks operation, because of the division's poor profitability.

COPENHAGEN was briefly shaken out of record-breaking form after ISS, the cleaning group, reported a DKr2bn ($350m) first half loss, blamed false accounting at its US unit and said May's $100m of charges and provisions against ISS Inc would fall $47m short of the group's needs.

The ISS shares, which fell over 40 per cent in a few days in late May and early June, ended DKr11 lower at DKr124, after DKr109. However, the broad market was resilient and the KFX index closed at another all-time high, up 0.15 at 118.76.

FRANKFURT majored on BASF which said it was selling its magnetic media business and a majority stake in its quoted fertiliser lossmaker, Kali und Salz, at below market price.

The sales were unlikely to affect BASF profits, said Mr Andreas Schmidt, chemicals analyst at BZW in Frankfurt, but they demonstrated a willingness to concentrate on core business, and shareholder value. BASF rose 68 pfg to DM42.23 but Kali fell DM14 to DM195.

The Dax index closed 1.86 lower at an Ibis-indicated 2,542.75, turnover falling from DM5.9bn to DM4.4bn.

SGL Carbon was another winner, up DM3.25 at DM175.25, after a meeting on Wednesday convinced analysts that the company was not governed by the steel cycle, and suggested that new products and applications might give it growth prospects beyond 1997.

AMSTERDAM was pleased with better-than-expected interims from ABN Amro and, with additional help from the dollar, the AEX index added 5.35 to 554.80.

ABN Amro, the country's largest bank, said net profit in the first six months had risen by 36 per cent, but warned that earnings growth was likely to slow over the remainder of the year owing to competitive pressures.

Nevertheless, a number of brokers responded immediately yesterday by indicating that they would be lifting their ratings on the stock and raising full year 1996 forecasts to more than Fl 3bn. The shares moved forward Fl 2.10 to Fl 95.40.

Getronics, the information systems organisation, also had a successful session after declaring a 35 per cent increase in its half year profit. The stock made Fl 1.50 to Fl 37.50.

ZURICH was soured by consideration of the US economy and the SMI index fell 4.4 to 3,646.3. Interest stayed high in Sandoz and Ciba, the components of the Novartis pharmaceuticals merger, for which Goldman Sachs reiterated its priority list status on Wednesday. Ciba bearers rose SFr13 to SFr1,510 and Sandoz registered by SFr9 to SFr1,423 for two day gains of 2.7 per cent, and 2.3 per cent, respectively.

BUDAPEST was boosted by OTP Bank, which produced good first half results and closed Ft65 higher at Ft2,210, helping to push the Bux index to a gain of 37.60 at 3,146.15.

Written and edited by William Cochrane and John Pitt

**FT-SE Actuaries Share Indices — THE EUROPEAN SERIES**

| Aug 15 Hourly changes | Open† | 10.30† | 11.00† | 12.00† | 13.00† | 14.00† | 15.00† | Close† |
|---|---|---|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1644.90 | 1644.87 | 1644.72 | 1645.14 | 1646.09 | 1644.63 | 1643.74 | 1643.79 |
| FT-SE Eurotrack 200 | 1707.10 | 1708.14 | 1708.80 | 1709.04 | 1709.32 | 1709.63 | 1707.62 | 1707.63 |

| | Aug 14 | Aug 13 | Aug 12 | Aug 9 | Aug 8 |
|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1638.82 | 1637.22 | 1633.83 | 1637.89 | 1643.77 |
| FT-SE Eurotrack 200 | 1704.49 | 1701.88 | 1696.76 | 1700.34 | 1705.38 |

Base value 1000 (26/10/90). High/day: 100 - 1646.36; 200 - 1710.41 Low/day: 100 - 1643.37 200 - 1706.58. † Partial.

**EUROPEAN EQUITIES TURNOVER**
**Monthly total in local currencies (bn)**

| Bourse | Apr 1996 | May 1996 | June 1996 | July 1996 | US $bn |
|---|---|---|---|---|---|
| Belgium | 126.48 | 108.46 | 87.279 | 110.84 | 3.65 |
| Denmark | 39.05 | 32.62 | 37.96 | 30.62 | 5.36 |
| Finland | 15.88 | 21.78 | 15.36 | 11.77 | 2.62 |
| France | 162.75 | 241.28 | 247.54 | 295.40 | 59.09 |
| Germany | 187.73 | 157.42 | 200.66 | 187.73 | 127.45 |
| Italy | 58,892 | 65,792 | 54,928 | 52,088 | 34.22 |
| Netherlands | 51.40 | 55.70 | 44.20 | 46.70 | 28.23 |
| Norway | 39.13 | 39.93 | 32.28 | 24.40 | 3.83 |
| Spain | 1,653.22 | 1,497.97 | 1,436.43 | 1,566.70 | 12.48 |
| Sweden | 190.06 | 161.00 | 129.40 | 119.39 | 18.06 |
| Switzerland | 44.50 | 38.49 | 40.85 | 51.07 | 42.65 |
| UK | 63.25 | 62.59 | 55.35 | 60.15 | 93.68 |

*Volumes represent purchases and sales. Italian data adjusted to include off-market trading. Some figures may be revised. Source: NatWest Securities*

Stormy weather from across the Atlantic kept Europeans off the beaches in July. Normally, the month sees a decline in stock market activity, but this year European domestic turnover rose by 2.2 per cent over June, and by 39 per cent over July, 1995, says Mr James Cornish of NatWest Securities, which produces the figures.

The turmoil on Wall Street, disturbed by poor earnings reports in the high tech area, impressed itself upon international investors. Mr Cornish reports a rise of 4.5 per cent on the month in turnover of European stock deals declared to Seaq International, London's screen-based international dealing system. International selling helped hit share prices; the FT/S&P Europe index fell 3.5 per cent in July with particularly steep falls in Italy, Switzerland and Spain, down 8.8, 6.5 and 6.1 per cent respectively.

In volume terms, the most dramatic gain came in Switzerland, up 24.7 per cent over June and by 88.6 per cent year-on-year as share prices plunged on the strong Swiss franc, and on profit-taking after steep rises in earlier months. France ran it close, up 19.3 per cent on the month and 84.2 per cent year on year, driven by a boom in low-margin programme trades.

ASIA PACIFIC

# Nintendo under attack as Nikkei edges lower

## Tokyo

Profit taking eroded earlier, telecoms-led gains and the Nikkei average edged lower for the first time in four trading days, *writes Emiko Terazono in Tokyo.*

The 225 index fell 12.86 to 20,968.25 after trading between 20,913.48 and 21,105.71. Volume stayed thin, totalling 249.8m shares against 267.9m, due to the Buddhist Obon holidays.

The Topix index of all first section stocks retreated 0.94 to 1,588.79 and the Nikkei 300 index 0.48 to 295.72. Advances led declines by 618 to 385 with 192 unchanged.

In London, the ISE/Nikkei 50 index rose 1.58 to 1414.

Foreign investors placed buy orders in telecom shares spurring purchases by domestic dealers in the morning session. However profit-taking in later trading left DDI, the long distance operator, down Y1,000 to Y942,000 and KDD, the international telecoms company, off Y300 at Y11,900. Nippon Telegraph and Telephone, which led the Nikkei's rise on Wednesday, closed unchanged at Y823,000.

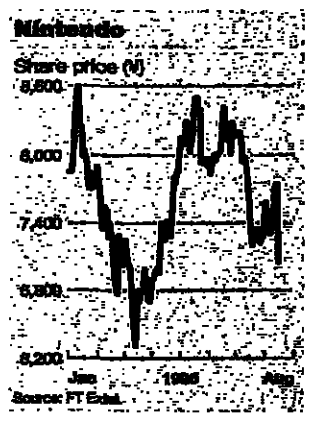
Semiconductor-related shares managed to maintain their morning gains. NEC gained Y10 to Y1,190 and Sharp Y10 to Y1,790.

East Japan Railway, one of the seven railway groups formed when Japan National Railway was broken up in 1987, fell Y22,000 to Y514,000. Traders said that worries over the listing of West Japan Railway in October were weighing on the stock.

Speculative stocks were higher. Mitsui Matsushima, the most active issue of day, rose Y38 to Y645; TYK, the firebrick maker, gained Y30 to Y1,170, and Tokai Kogyo went up Y23 to Y665.

In Osaka, the OSE average rose 46.98 to 21,905.32 in volume of 46.5m shares. Murata Mfg, the machinery maker, rose Y100 Y4,000.

**Nintendo**




Source: FT Extel

However, analysts attacked Nintendo's maintenance of its profit forecast, and the upward revision of its sales forecast for the half year to September. They were bearish about shipment projections for the company's new 64-bit games machines. Nintendo's shares came back from suspension and bottomed at Y6,820 before closing Y560 or 8.6 per cent lower at Y7,040.

## Roundup

Strength in Telecom supported WELLINGTON after the group posted a good first quarter result. The NZSE-40 capital index advanced 8.62 to 2,149.25 in turnover of NZ$36.3m.

Telecom's results were within analysts' expectations but the dividend of 9.5 cents a share was above consensus forecasts. However, brokers added, turnover in the stock was relatively thin as it rose 11 cents to NZ$6.50.

TAIPEI was unnerved by a speech by President Lee Teng-hui, who argued that the island should review its policy of targeting China as a main market if it wanted to become a regional business centre. The weighted index fell 89.00 or 1.4 per cent at 6,284.93. Turnover was T$40.2bn.

The speech worried listed companies with mainland Chinese interests. Some 30,000 Taiwanese businesses have invested more than $20bn in China since the late 1980s.

Plastics led the fall, losing 2.2 per cent as a group with Sun Yad Plastic off T$1.60 or 7 per cent to T$21.80. The financial sector lost 1.8 per cent after Morgan Stanley declined to comment on a market rumour that it planned to issue warrants on several financial blue chips.

BANGKOK remained locked in political uncertainty after a coalition partner said on Wednesday that it was withdrawing its support for the Thai government. The SET index put on 0.66 to 1,088.90.

Dealers suggested that the market had edged forward as a number of speculative investors made purchases ahead of the introduction of a Bt21bn support fund, mooted two weeks ago and expected to become active early next week.

The communications sector lost 1.2 per cent after Shinawatra Computer & Communication published disappointing second quarter earnings. Shinawatra lost Bt8 at Bt356.

KARACHI slipped at the outset in reaction to the killing of 12 people in the city, and the wounding of 11 others by gunmen during Wednesday's Independence Day festivities; but short covering left the KSE 100 index 6.81 higher at 1,457.80.

HONG KONG saw Henderson Land hit an early, all-time, high of HK$60.50 on bullish noises after the government's first land auction of the year on Wednesday.

However buyers remained cautious, noting that the property sector had risen more than 15 per cent recently. The sub-index slipped on profit taking, Henderson ended 50 cents higher at HK$59.75 and the Hang Seng index closed 8.38 lower at 11,158.39 in turnover of HK$4.56bn.

SHENZHEN could not distance itself from the rumours, started earlier in the week, that regulators were about to take steps to curb domestic trading in foreign equities. The index eased 1.31 to 86.50.

There was some buying activity, particularly in Guangdong Provincial Expressway Development, which made its market debut and closed at HK$4.40, a 24 per cent premium over its issue price.

SHANGHAI's B index was modestly weaker as sentiment was affected by a spate of recent disappointing interim results. The index eased 0.43 to 52.06.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

| 1/2 hour period ending | [illegible] | [illegible] | [illegible] |
|---|---|---|---|
| 0030 | [illegible] | [illegible] | [illegible] |
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| 0130 | [illegible] | [illegible] | [illegible] |
| 0200 | [illegible] | [illegible] | [illegible] |
| 0230 | [illegible] | [illegible] | [illegible] |
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| 0330 | [illegible] | [illegible] | [illegible] |
| 0400 | [illegible] | [illegible] | [illegible] |
| 0430 | [illegible] | [illegible] | [illegible] |
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| 1830 | [illegible] | [illegible] | [illegible] |
| 1900 | [illegible] | [illegible] | [illegible] |
| 1930 | [illegible] | [illegible] | [illegible] |
| 2000 | [illegible] | [illegible] | [illegible] |
| 2030 | [illegible] | [illegible] | [illegible] |
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| 2130 | [illegible] | [illegible] | [illegible] |
| 2200 | [illegible] | [illegible] | [illegible] |
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| 2400 | [illegible] | [illegible] | [illegible] |

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## FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

| NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock | WEDNESDAY AUGUST 14 1996 US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | TUESDAY AUGUST 13 1996 US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | DOLLAR INDEX 52 week High | 52 week Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia (80) | 198.69 | -0.3 | 190.00 | 135.40 | 153.23 | 169.65 | -0.3 | 4.31 | 199.21 | 190.41 | 135.52 | 152.93 | 170.04 | 212.18 | 177.96 | 181.25 |
| Austria (24) | 179.46 | -1.1 | 171.61 | 122.30 | 138.40 | 138.33 | -0.7 | 2.03 | 181.47 | 173.46 | 123.45 | 139.32 | 139.24 | 196.04 | 168.11 | 188.50 |
| Belgium (27) | 218.31 | -0.5 | 208.85 | 147.41 | 166.82 | 163.04 | -0.1 | 4.08 | 217.47 | 207.86 | 147.94 | 166.95 | 163.24 | 217.62 | 186.06 | 192.74 |
| Brazil (28) | 177.48 | -0.4 | 169.72 | 120.95 | 136.88 | 330.76 | -0.4 | 1.93 | 178.27 | 170.39 | 121.27 | 136.86 | 332.17 | 189.70 | 123.97 | 142.98 |
| Canada (118) | 159.63 | 0.0 | 152.65 | 108.78 | 123.11 | 158.86 | 0.0 | 2.25 | 159.56 | 152.53 | 108.56 | 122.52 | 158.80 | 166.12 | 134.14 | 146.79 |
| Denmark (30) | 316.21 | -0.1 | 302.38 | 215.49 | 243.86 | 246.77 | 0.3 | 1.86 | 316.51 | 302.53 | 215.32 | 242.99 | 246.10 | 316.51 | 276.89 | 285.61 |
| Finland (23) | 207.79 | -1.1 | 198.70 | 141.60 | 160.24 | 194.13 | -0.9 | 2.57 | 210.08 | 200.80 | 142.91 | 161.28 | 195.96 | 276.11 | 171.73 | 256.57 |
| France (96) | 188.50 | -0.3 | 180.26 | 128.46 | 145.37 | 149.91 | -0.1 | 3.22 | 189.08 | 180.72 | 128.62 | 145.16 | 150.05 | 198.39 | 167.70 | 184.49 |
| Germany (58) | 175.63 | -0.6 | 167.95 | 119.69 | 135.45 | 135.45 | -0.2 | 1.60 | 176.72 | 168.91 | 120.22 | 135.67 | 135.87 | 176.72 | 155.66 | 160.14 |
| Hong Kong (59) | 427.74 | 0.0 | 409.04 | 291.50 | 329.88 | 424.70 | 0.0 | 3.45 | 427.88 | 408.97 | 291.07 | 328.49 | 424.84 | 451.19 | 348.61 | 350.61 |
| Indonesia (27) | 186.09 | -0.9 | 177.96 | 126.82 | 143.51 | 267.13 | -0.8 | 1.78 | 187.76 | 179.46 | 127.73 | 144.14 | 269.41 | – | – | – |
| Ireland (16) | 286.54 | -0.3 | 274.01 | 195.27 | 220.98 | 250.97 | -0.2 | 3.47 | 287.48 | 274.78 | 195.57 | 220.70 | 251.43 | 290.82 | 235.88 | 241.76 |
| Italy (58) | 76.12 | 0.1 | 72.79 | 51.88 | 58.70 | 86.28 | 0.2 | 2.49 | 76.02 | 72.66 | 51.71 | 58.36 | 86.07 | 84.53 | 67.22 | 81.37 |
| Japan (481) | 148.41 | 0.4 | 141.92 | 101.14 | 114.46 | 101.14 | 0.6 | 0.76 | 147.88 | 141.33 | 100.59 | 113.52 | 100.59 | 164.66 | 137.75 | 146.73 |
| Malaysia (107) | 542.95 | 0.0 | 519.20 | 370.01 | 418.72 | 521.78 | 0.1 | 1.73 | 542.90 | 518.92 | 369.32 | 416.79 | 521.45 | 585.09 | 425.77 | 540.29 |
| Mexico (19) | 1250.81 | 0.5 | 1196.10 | 852.40 | 964.62 | 10239.67 | 0.5 | 1.30 | 1244.53 | 1189.55 | 846.63 | 965.44 | 10192.35 | 1325.85 | 791.99 | 1188.73 |
| Netherland (19) | 295.89 | -0.5 | 282.95 | 201.64 | 228.19 | 224.80 | 0.0 | 3.22 | 297.30 | 284.17 | 202.25 | 228.24 | 224.63 | 299.69 | 245.79 | 253.02 |
| New Zealand (15) | 81.19 | 0.3 | 77.64 | 55.33 | 62.61 | 62.83 | 0.1 | 4.32 | 80.91 | 77.34 | 55.04 | 62.12 | 62.75 | 84.71 | 75.94 | 81.95 |
| Norway (35) | 246.29 | -0.3 | 235.51 | 167.84 | 189.94 | 214.98 | 0.0 | 2.11 | 247.16 | 236.24 | 168.13 | 189.75 | 214.43 | 258.94 | 222.24 | 231.97 |
| Philippines (22) | 199.89 | -0.3 | 191.15 | 136.22 | 154.15 | 260.94 | -0.3 | 0.63 | 200.59 | 191.73 | 136.46 | 154.00 | 261.76 | – | – | – |
| Singapore (44) | 387.57 | -0.2 | 370.62 | 264.12 | 298.89 | 252.19 | -0.3 | 1.52 | 388.52 | 371.35 | 264.30 | 298.27 | 252.97 | 465.21 | 355.81 | 384.43 |
| South Africa (44) | 327.31 | -1.8 | 312.99 | 223.05 | 252.42 | 325.96 | -1.3 | 2.31 | 333.18 | 318.46 | 226.66 | 255.79 | 330.26 | 437.76 | 327.31 | 352.92 |
| Spain (37) | 176.06 | -0.3 | 168.36 | 119.98 | 135.77 | 167.91 | -0.1 | 3.48 | 176.51 | 168.71 | 120.07 | 135.51 | 168.15 | 183.85 | 145.15 | 156.68 |
| Sweden (48) | 355.30 | 0.2 | 339.76 | 242.13 | 274.01 | 349.31 | 0.1 | 2.44 | 354.64 | 338.97 | 241.25 | 272.26 | 348.94 | 360.77 | 280.57 | 281.89 |
| Switzerland (37) | 247.75 | 0.1 | 236.91 | 168.83 | 191.06 | 185.00 | 0.5 | 1.60 | 247.52 | 236.58 | 168.38 | 190.02 | 184.16 | 262.34 | 191.24 | 194.79 |
| Thailand (45) | 143.47 | -2.0 | 137.19 | 97.77 | 110.64 | 140.70 | -2.0 | 2.37 | 146.43 | 139.96 | 99.61 | 112.41 | 143.63 | 193.95 | 141.28 | 165.10 |
| United Kingdom (199) | 240.65 | 0.1 | 230.13 | 164.00 | 185.59 | 230.13 | 0.2 | 4.14 | 240.35 | 229.74 | 163.51 | 184.52 | 229.74 | 240.65 | 216.52 | 219.91 |
| USA (625) | 269.63 | 0.3 | 257.83 | 183.74 | 207.93 | 269.63 | 0.3 | 2.19 | 268.68 | 256.81 | 182.78 | 206.27 | 268.68 | 276.47 | 227.31 | 228.61 |
| Americas (790) | 246.41 | 0.3 | 235.63 | 167.92 | 190.03 | 207.22 | 0.3 | 2.19 | 245.59 | 234.74 | 167.07 | 188.55 | 206.53 | 252.43 | 208.66 | 209.72 |
| Europe (706) | 212.58 | -0.1 | 203.29 | 144.87 | 163.95 | 183.21 | 0.1 | 3.10 | 212.88 | 203.48 | 144.82 | 163.43 | 183.08 | 213.30 | 189.33 | 192.70 |
| Nordic (136) | 308.47 | -0.1 | 294.98 | 210.21 | 237.89 | 264.36 | 0.0 | 2.33 | 308.74 | 295.10 | 210.03 | 237.03 | 264.42 | 308.74 | 261.13 | 273.04 |
| Pacific Basin (880) | 161.29 | 0.3 | 154.23 | 109.91 | 124.38 | 112.30 | 0.4 | 1.23 | 160.87 | 153.76 | 109.43 | 123.50 | 111.88 | 177.01 | 148.86 | 157.04 |
| Euro-Pacific (1586) | 182.54 | 0.1 | 174.55 | 124.40 | 140.77 | 139.09 | 0.2 | 2.13 | 182.42 | 174.36 | 124.09 | 140.04 | 138.75 | 190.57 | 166.51 | 171.80 |
| North America (743) | 262.88 | 0.3 | 251.39 | 179.13 | 202.71 | 262.25 | 0.3 | 2.20 | 261.97 | 250.40 | 178.22 | 201.12 | 261.37 | 269.52 | 222.38 | 223.54 |
| Europe Ex. UK (507) | 192.46 | -0.3 | 184.04 | 131.16 | 148.43 | 156.40 | 0.0 | 2.53 | 193.01 | 184.48 | 131.30 | 148.17 | 156.37 | 194.86 | 169.65 | 173.63 |
| Pacific Ex. Japan (399) | 280.08 | -0.2 | 267.83 | 190.87 | 215.99 | 242.58 | -0.2 | 3.07 | 280.58 | 268.17 | 190.86 | 215.39 | 243.03 | 298.88 | 243.59 | 255.48 |
| World Ex. US (1795) | 183.67 | 0.0 | 175.64 | 125.17 | 141.65 | 143.61 | 0.2 | 2.13 | 183.61 | 175.50 | 124.91 | 140.96 | 143.32 | 191.55 | 167.36 | 172.97 |
| World Ex. UK (2221) | 207.36 | 0.2 | 198.29 | 141.31 | 159.92 | 174.87 | 0.3 | 1.96 | 207.00 | 197.86 | 140.82 | 158.92 | 174.39 | 213.05 | 185.61 | 187.00 |
| World Ex. Japan (1939) | 244.03 | 0.1 | 233.35 | 166.30 | 188.19 | 230.10 | 0.2 | 2.56 | 243.76 | 232.99 | 165.82 | 187.13 | 229.68 | 247.56 | 212.62 | 214.29 |
| The World Index (2420) | 210.27 | 0.2 | 201.07 | 143.29 | 162.16 | 179.64 | 0.3 | 2.16 | 209.91 | 200.64 | 142.80 | 161.15 | 179.37 | 214.95 | 186.49 | 189.88 |


PLEASE NOTE: Amendments to indices 14/8/96 applied to Brazil, South Africa, related regional indices and The World Index. CONSTITUENT CHANGES WITH EFFECT 16/8/96: Addition: Allegheny Teledyne (Medium-Small Cap) (USA). Deletion: Teledyne (USA). Name change: Dial Corp to Viad Corp (USA). Latest prices were unavailable for this edition.